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**BEFORE THE
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.**

In the Matter of the Application of
Wedbush Securities, Inc. and Edward William Wedbush
For Review of
FINRA Disciplinary Action
File No. 3-16329

**BRIEF OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY IN
OPPOSITION TO APPLICATION FOR REVIEW**

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April 27, 2015

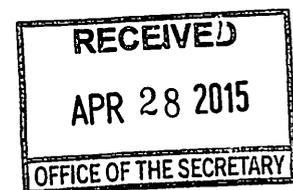


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File No. 3-13750

**BRIEF OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY IN
OPPOSITION TO APPLICATION FOR REVIEW**

I. INTRODUCTION

This case is about the failure of applicants Wedbush Securities, Inc. (“Wedbush Securities” or the “Firm”) and Edward William Wedbush (“Mr. Wedbush”) (together, “Applicants”) to reasonably supervise the Firm’s regulatory filings for more than five and one-half years despite repeated notifications from regulators detailing the Firm’s regulatory reporting failures. FINRA’s National Adjudicatory Council (“NAC”) found, and Applicants do not contest on appeal, that Wedbush Securities committed 158 violations with respect to failing to file, late filing, and filing of inaccurate NYSE Forms RE-3 (Submission of Requested Information), Uniform Applications for Securities Industry Registration or Transfer (“Forms U4”), Uniform Termination Notices for Securities Industry Registration (“Forms U5”), and statistical reports concerning customer complaints. In addition to finding these reporting violations, the NAC also found that Wedbush Securities and its president, Mr. Wedbush, failed to reasonably supervise the Firm’s regulatory reporting. Based on these findings, the NAC fined Wedbush Securities

\$300,000 and fined Mr. Wedbush \$50,000 and suspended him in all principal capacities for 31 days.

All of the arguments that Applicants raise in their opening brief are without merit and offer no basis for overturning the NAC's decision. Applicants' central argument on appeal, as it was before the NAC, is that they were denied a fair hearing before the FINRA Extended Hearing Panel. Specifically, Applicants assert they were "prejudiced" in their defense because they purportedly lacked notice that a finding of liability might result in Mr. Wedbush becoming subject to a suspension. As discussed below, the argument is belied by the complaint, FINRA rules, and the FINRA Sanction Guidelines ("Guidelines"). So, too, is the Applicants' argument that Mr. Wedbush's liability finding is "improper" and his resulting suspension is "excessive" and "oppressive." As noted by the NAC, Mr. Wedbush, as president of Wedbush Securities, was responsible for the Firm's compliance with all applicable regulatory reporting requirements, and suspensions imposed on firm presidents for a failure to reasonably supervise are not unprecedented. Applicants also conveniently ignore the fact that both Wedbush Securities and Mr. Wedbush had ample notice that regulatory reporting failures at the Firm continued unabated over a protracted period of time.

The remainder of Applicants' arguments are likewise without merit. Contrary to Applicants' assertions, and as explicitly provided in the NAC's decision, the NAC did not find Wedbush Securities and Mr. Wedbush liable for the Firm having inadequate written supervisory procedures. The NAC's findings instead were based on Wedbush Securities' and Mr. Wedbush's implementation of the Firm's procedures, which the NAC properly concluded was inadequate and unreasonable under the circumstances. The NAC also found, based on overwhelming evidence, that Applicants efforts to improve regulatory reporting during the

relevant period were ineffective, inadequate, and unreasonable under the circumstances.

The Commission should affirm the NAC's liability findings. The NAC's decision is amply supported by the record and law and should be affirmed in its entirety. Wedbush Securities' regulatory reporting violations were extensive and widespread. Further, Applicants' failure to diligently and promptly address Wedbush Securities' regulatory reporting problems was egregious, and the problems that occurred prevented both regulators and customers from acquiring material information about the Firm and its brokers. The Commission also should affirm the remedial sanctions, which are neither excessive nor oppressive, imposed by the NAC. The NAC fully considered all aggravating and mitigating factors in imposing a \$300,000 fine on Wedbush Securities and a 31-day suspension in all principal capacities and a \$50,000 fine on Mr. Wedbush. The sanctions are consistent with the Guidelines and fully warranted by the facts and the need to protect the investing public. Accordingly, FINRA requests that the Commission dismiss Applicants' application for review.

II. PROCEDURAL HISTORY

After years of persistent regulatory reporting failures at Wedbush Securities, the Department of Enforcement ("Enforcement") filed the underlying five-cause complaint on October 4, 2010, which it amended twice thereafter to reduce the number of alleged regulatory reporting violations but otherwise not changing the causes of action. RP 6-43, 253-278, 877-912.¹ In causes one through three, Enforcement alleged that, during various periods between

¹ "RP" refers to the record page numbers in the certified record of this case. "Tr." refers to transcript pages of the hearing conducted before the FINRA Extended Hearing Panel on September 26-30, 2011 and February 6-9, 2012 (RP 1841-3094, 3215-3815). "Applicants' Br. at ___" refers to page numbers in Applicants' opening brief. "Decision at ___" refers to the NAC's December 11, 2014 decision.

January 2005 and July 2010, Wedbush Securities failed to properly report 81 disclosable events, resulting in 160 violations with respect to Forms RE-3, Forms U4 and U5, and Rule 3070 reports.² RP 23-26, 269-78, 893-96. In causes four and five, Enforcement alleged that Wedbush Securities (from January 2005 to July 2010) and Mr. Wedbush (from August 2006 to July 2010) failed to supervise the Firm's regulatory reporting. RP 26-29, 272-76, 896-900.

Applicants stipulated that the Firm was liable for 115 of the reporting violations alleged by Enforcement. RP 4025-34, 7435-36. For the remaining reporting violations for which Applicants did not stipulate, Applicants asserted that the items either did not constitute reporting violations or did constitute reporting violations but were not reporting violations by the Firm. RP 7465 ¶¶ 2, 3.

After presiding over a nine-day hearing, the Extended Hearing Panel issued its decision on August 2, 2012. RP 7437-90. The Extended Hearing Panel found in favor of Enforcement for all causes of action as alleged in the complaint. RP 7489. The Extended Hearing Panel found that Wedbush Securities was liable for the 115 stipulated reporting violations and an additional 43 disputed reporting violations. 7453-54, 7475-77. The Extended Hearing Panel fined Wedbush Securities \$300,000 and fined Mr. Wedbush \$25,000 and suspended him from all supervisory activities, other than the supervision of trading and order entry, for 31 days. RP

² With respect to the Rule 3070 reports, the complaint alleged that Wedbush Securities failed to file, late filed, and filed inaccurate statistical reports concerning customer complaints from July 2008 to July 2009 in violation of NYSE Rule 351(d), NASD Rule 3070(c), NASD Rule 2110, and FINRA Rule 2010. Both NYSE Rule 351(d) and NASD Rule 3070(c) required members firm to file quarterly statistical and summary information with FINRA concerning customer complaints, but NASD Rule 3070(d) exempted members that were subject to NYSE Rule 351 from the requirements of NASD Rule 3070(c). For convenience, we refer to these quarterly reports as Rule 3070 reports throughout FINRA's opposition brief.

7489. The Extended Hearing Panel also ordered the Respondents to jointly and severally pay costs. RP 7490.

On December 11, 2014, the NAC issued its decision. Decision at 1-36. The NAC affirmed the Extended Hearing Panel's liability findings and the sanctions assessed against the Firm. *Id.* at 36. The NAC also affirmed the Extended Panel's liability finding against Mr. Wedbush, but modified his sanctions by increasing the fine to \$50,000 and the suspension to a prohibition in all principal capacities for 31 days. *Id.* at 36. The NAC reasoned that Mr. Wedbush's misconduct demonstrated a troubling disregard for supervision in general, so a carve out for the supervision of trading and order entry activities was not warranted. *Id.* at 35. The NAC also affirmed the costs assessed by Extended Hearing Panel and assessed appeal costs. RP 7946. Applicants' timely appeal of FINRA's action to the Commission followed. *Id.* at 36.

III. STATEMENT OF FACTS

A. Wedbush Securities and Mr. Wedbush

Wedbush Securities is a securities brokerage and investment banking firm founded by Mr. Wedbush and another individual in 1955. RP 3956-57; Tr. 1032, 1478-79. The Firm registered with NASD in 1955 and NYSE in the early 1970s. Tr. 1032. At the time of the hearing, Wedbush Securities employed approximately 900 employees. Tr. 1433. Mr. Wedbush joined the securities industry in 1955 when he formed the Firm. Tr. 1032. He is registered as a general securities principal and representative of the Firm, and he has served as the Firm's president since its inception. RP 3956-57.

At all relevant times, Wedbush Securities' compliance department, known as the Business Conduct Department, was responsible for making all of the Firm's regulatory filings, including Forms RE-3, Forms U4 and U5, and Rule 3070 reports. RP 7309-7312; Tr. 976. The Business Conduct Department relied on the cooperation of Wedbush Securities' registered

representatives, managers, executives, human resources department, and legal department to provide them with documents and information required for timely regulatory filings. Applicants' Br. at 22; RP 7309-7312; Tr. 854-58, 863-64, 976-78, 1772.

The Business Conduct Department comprised approximately eight to 10 people and was directly managed by a variety of different people, including Mr. Wedbush, who served as the Business Conduct Manager from August 16, 2006 to September 30, 2007. Tr. 819, 969, 976. At all times, Mr. Wedbush remained president of Wedbush Securities, and the Business Conduct Department directly or indirectly reported to him.³ Tr. 969-75, 986-88.

B. Wedbush Securities and Mr. Wedbush Were Aware of the Firm's Regulatory Reporting Issues

Prior to and during the relevant period, regulators notified Wedbush Securities about regulatory reporting problems at the Firm on several different occasions. The uncontroverted record provides that Mr. Wedbush was aware of these notifications.

Among other notifications, on March 20, 2007, Wedbush Securities submitted a Letter of Acceptance, Waiver and Consent ("AWC"), signed by Mr. Wedbush, by which it accepted and consented, without admitting or denying the findings, that the Firm filed untimely 27 Forms U5

³ Specifically, from January 1, 2005 to August 15, 2006, the Business Conduct Manager reported to the Firm's legal department, who reported to the Firm's Chief Compliance Officer ("CCO"), who reported to Mr. Wedbush. RP 3915-18, 3931, 4007, 5307, 7427; Tr. 1747. Besides serving as the Business Conduct Manager from August 16, 2006 to September 30, 2007, Mr. Wedbush also served as Chief Compliance Officer from August 16, 2006 until July 2007, and as the co-CCO until October 2007. RP 3919-20, 3923-24, 5307; Tr. 969, 1006-09. While Mr. Wedbush served as the Business Conduct Manager, the Business Conduct Department reported directly to him. Tr. 818-19, 970, 975-76. On October 1, 2007, Eric Segall took over Mr. Wedbush's role as Business Conduct Manager and co-CCO. RP 3925; Tr. 988-89. Segall reported directly to Mr. Wedbush. RP 5308, 7408; Tr. 977.

and failed to enforce its supervisory procedures with respect to the 27 Forms U5 from January 1, 2003 to August 3, 2005. RP 5451-53.

Regulators also relayed many of the regulatory reporting issues to Wedbush Securities in examination exit meetings and examination reports related to the Firm's 2002, 2006, and 2008 examinations. RP 5399-5414, 5421-28, 5467-5507. Mr. Wedbush attended every examination exit meeting and required all executive vice presidents to do so as well. RP 5409, 5428, 5489; Tr. 1599. In its responses, Wedbush Securities admitted that certain Business Conduct Managers were unaware of filing requirements under NYSE Rule 351(a), that Business Conduct Department personnel were not promptly updating information, and that the legal department and branch managers were not promptly providing information and documents to the Business Conduct Department. RP 5442-43, 5526. Wedbush Securities represented that it would review its logging procedures to prevent violations, and that it had installed new personnel (including making Mr. Wedbush the Business Conduct Manager and CCO), and provided additional training in late 2007 to address the issues. 5443, 5526, 5538. Despite these assurances, the violations continued. RP 4025-34. Mr. Wedbush drafted the relevant portion of Wedbush Securities' response regarding filing deficiencies identified in the 2006 examination report, and he signed the Firm's responses regarding filing deficiencies identified in the 2008 examination report. RP 5442-43, 5509.

On December 17, 2008, FINRA staff sent a Wells Notice to Wedbush Securities, advising it that FINRA staff had made a preliminary determination to recommend that disciplinary action be brought against Wedbush Securities for the Firm's failure to file, late filing, and filing of inaccurate Forms RE-3 and amended Forms U4 and U5. RP 5463; Tr. 596-97. In response, Wedbush Securities admitted that there had been reporting problems, which it

attributed to a lack of knowledge of its personnel about filing requirements, a lack of communication between the legal department and Business Conduct Department, and a lack of experience and training. RP 5465-66. Among other things, Wedbush Securities acknowledged that previously no one at the Firm was monitoring Form U5 disclosures by other firms of current Wedbush Securities employees for purposes of updating their Forms U4. RP 5466. The Firm represented that it had corrected the problems: it had instituted a new communication process between the legal department and the Business Conduct Department, and the Business Conduct Department was monitoring Form U5 disclosures daily. RP 5466.

As a result of continued regulatory reporting violations, FINRA staff sent a second Wells Notice to Wedbush Securities on June 22, 2010, advising it that FINRA staff had made a preliminary determination to recommend that additional disciplinary action be brought against Wedbush Securities for the Firm's continued late filing of amended Forms U4 and U5 for the period April 1, 2008 through March 31, 2010, as reflected in the FINRA Late Disclosure Fee Reports, and the Firm's failures concerning customer complaint reporting and Forms U4 and U5, as reflected in the 2009 and 2010 examinations. RP 5305-06; *see also* RP 4025-34, 5615-55, 5701. In addition, the letter provided that FINRA staff also made a preliminary determination to recommend disciplinary action be brought against Mr. Wedbush for his failure to supervise Wedbush Securities' regulatory filings from January 2005 to April 2010. RP 5305. The second Wells Notice explicitly said to treat the letter as written notification that Mr. Wedbush is the subject of an investigation for purposes of triggering an obligation on his part to update his Form U4. RP 5305.

In addition to Wedbush Securities' response to the second Wells Notice, Mr. Wedbush separately responded stating he was the "manager of the Business Conduct Department for a

brief period of time so that [he] could assess the need of resources for Business Conduct responsibilities going forward,” and asked for an explanation of the need to update his Form U4. RP 5307-09. By letter, FINRA staff explained to Wedbush Securities that subsection (2) of Question 14(G) of the Form U4 required disclosure of the Wells Notice for Mr. Wedbush. RP 5313-5316. Mr. Wedbush thereafter asserted in a subsequent letter that disclosing the Wells Notice on his Form U4 would harm his reputation. RP 5317. Eventually Mr. Wedbush acquiesced, and Wedbush Securities filed 29 days late the amendment to Mr. Wedbush’s Form U4 disclosing the second Wells Notice. RP 5319-5320.2.

IV. ARGUMENT

For more than five and one-half years, Wedbush Securities failed to file, late filed, and filed inaccurate Forms RE-3, Forms U4 and U5, and Rule 3070 reports. Despite their actual knowledge of Wedbush Securities’ widespread regulatory reporting problems, both the Firm and Mr. Wedbush failed to direct their prompt and full attempt to remedying the existing problems at the Firm. Their inadequate attempts to tackle Wedbush Securities’ regulatory reporting problems fell far short of the reasonable supervision required by NASD Rule 3010.

The record amply supports the NAC’s findings that Wedbush Securities committed 158 regulatory reporting violations, which findings are not challenged by Applicants on appeal. The record likewise supports the NAC’s findings that Wedbush Securities failed to supervise the Firm’s regulatory filings from January 2005 to July 2010, and that Mr. Wedbush failed to supervise the Firm’s regulatory filings from August 2006 to July 2010.

All of the arguments that Applicants raise on appeal before the Commission were properly considered by the NAC, but were rejected based on the evidence and established case law. Mr. Wedbush, as president of the Firm, had supervisory responsibility for Wedbush Securities’ regulatory reporting, which he grossly neglected. Moreover, Applicants undoubtedly

were aware that Mr. Wedbush was charged personally with a failure to supervise regulatory filings, and therefore undeniably received a fair hearing. For these reasons, and as more fully explained herein, the Commission should dismiss Applicants' appeal and affirm the NAC's liability findings.

The Commission should also affirm the sanctions imposed by the NAC. The \$300,000 fine against Wedbush Securities and \$50,000 fine and 31-day suspension in all principal capacities against Mr. Wedbush are neither excessive nor oppressive. The NAC's sanctions are appropriately remedial, consistent with the Guidelines, and fully warranted by the facts and the need to protect the investing public.

The evidence and law unequivocally support the NAC's findings and the sanctions imposed. Therefore, the Commission should dismiss Applicants' appeal.

A. Wedbush Securities Committed 158 Violations with Respect to Failing to File, Late Filing, and Filing of Inaccurate Forms RE-3, Forms U4 and U5, and Rule 3070 Reports

The NAC found that Wedbush Securities: (i) from January 2005 to July 2007, filed 33 Forms RE-3 late, filed two Forms RE-3 inaccurately, and failed to file three Forms RE-3, in violation of NYSE Rule 351(a) and NASD Rule 2110; (ii) from May 2005 to July 2010, filed 70 Forms U4 late, filed 11 Forms U4 inaccurately, and failed to file four Forms U4 and filed 21 Forms U5 late, filed four Forms U5 inaccurately, and failed to file three Forms U5, in violation of NASD and FINRA By-Laws, NASD Rule 2110, and FINRA Rule 2010; and (iii) and from July 2008 to July 2009, filed five customer complaints late, filed one customer complaint inaccurately, and failed to file one customer complaint, in violation of NYSE Rule 351(d), NASD Rule 3070(c), NASD Rule 2110, and FINRA Rule 2010. Decision at 7, 9, 11. Applicants do not contest these findings, which are amply supported by the record. The Commission should therefore deem the issue waived.

B. Wedbush Securities and Mr. Wedbush Failed to Reasonably Supervise Wedbush Securities' Regulatory Reporting

FINRA's determination that Wedbush Securities failed to supervise the Firm's regulatory filings from January 2005 to July 2010, and that Mr. Wedbush failed to supervise the Firm's regulatory filings from August 2006 to July 2010, in violation of NASD Rule 3010, NASD Rule 2110, and FINRA Rule 2010, is fully supported by the record.

NASD Rule 3010 requires each member firm to establish and maintain a reasonably designed system to supervise the activities of its registered representatives, principals, and associated persons and achieve compliance with the federal securities laws and FINRA rules. *See* NASD Rules 3010(a), (b)(1). "Assuring proper supervision is a critical component of broker-dealer operations." *Richard F. Kresge*, Exchange Act Release No. 55988, 2007 SEC LEXIS 1407, at *27 (June 29, 2007). "A supervisor is responsible for reasonable supervision, a standard that is determined based on the particular circumstances of each case." *Dep't of Enforcement v. Pellegrino*, Complaint No. C3B050012, 2008 FINRA Discip. LEXIS 10, at *46-47 (FINRA NAC Jan. 4, 2008), *aff'd*, Exchange Act Release No. 59125, 2008 SEC LEXIS 2843 (Dec. 19, 2008) (internal quotations and citations omitted). "To ensure compliance with this requirement, 'red flags and suggestions of irregularities demand inquiry as well as adequate follow-up and review. When indications of impropriety reach the attention of those in authority, they must act decisively to detect and prevent violations of the securities laws.'" *Midas Sec., LLC*, Exchange Act Release No. 66200, 2012 SEC LEXIS 199, at *46-47 (Jan. 20, 2012) (quoting *John B. Busacca III*, Exchange Act Release No. 63312, 2010 SEC LEXIS 3787, at *35 (Nov. 12, 2010)). "In large organizations it is especially imperative that those in authority exercise particular vigilance when indications of irregularity reach their attention." *Wedbush Sec., Inc.*, 48 S.E.C. 963, 967 (1988).

The NAC properly found that Mr. Wedbush had supervisory authority over Wedbush Securities' regulatory filings, and that he and the Firm failed to effectively and reasonably supervise Wedbush Securities' regulatory reporting.

1. Mr. Wedbush Had Supervisory Authority Over Wedbush Securities' Regulatory Filings

Applicants argue that Mr. Wedbush was not responsible for the Wedbush Securities' regulatory reporting. Applicants' Br. at 3. The Commission, like the NAC, should reject the argument and find that Mr. Wedbush had supervisory authority over Wedbush Securities' regulatory filings from August 2006 to July 2010.

While acknowledging that Mr. Wedbush did supervise individuals who were responsible for regulatory filings when he was CCO, Applicants assert that Mr. Wedbush had "no responsibility to personally make or directly supervise the filings at issue." Applicants' Br. at 20. As the president of Wedbush Securities throughout the relevant period, however, Mr. Wedbush was responsible for the Firm's compliance with regulatory reporting requirements unless he "reasonably delegate[d] a particular function to another person in the firm, and neither [knew] nor [had] reason to know that such person [was] not properly performing his or her duties." *John B. Busacca III*, Exchange Act Release No. 63312, 2010 SEC LEXIS 3787, at *37 (Nov. 12, 2010), *aff'd*, 449 F.App'x 886 (11th Cir. 2011). Applicants do not argue that Mr. Wedbush ever delegated his responsibility for Wedbush Securities' regulatory reporting.⁴

⁴ The NAC properly found, even if Applicants had argued that Mr. Wedbush delegated his responsibility for the Firm's regulatory reporting, Mr. Wedbush always retained supervisory responsibility because he knew that any delegates were not properly performing their supervisory obligations. Decision at 14; *See Kresge*, 2007 SEC LEXIS 1407, at *35-36 ("It is not sufficient for the person with overarching supervisory responsibilities to delegate supervisory responsibility to a subordinate, even a capable one, and then simply wash his hands of the matter until a problem is brought to his attention. . . Implicit is the additional duty to follow up and

[Footnote continued on next page]

Rather, they argue that Mr. Wedbush never had any responsibility in the first place to delegate because he operated as a “manager rather than [a] supervisor.” Applicants’ Br. at 22.

Applicants’ argument that only a direct supervisor can have supervisory liability is contrary to established case law. *See Busacca*, 2010 SEC LEXIS 3787, at *37. The existence of several levels of management between Mr. Wedbush and the person actually making the regulatory filings does not strip Mr. Wedbush of his supervisory obligations at Wedbush Securities. *See Kresge*, 2007 SEC LEXIS 1407, at *32-35. Moreover, the “[lack of] evidence of Mr. Wedbush’s personal level of responsibility for the [F]irm’s failure to mak[e] . . . regulatory filings on a timely basis” is not problematic, as maintained by Applicants (Applicants’ Br. at 20), because established case law supports the legal proposition that broker-dealer presidents are responsible for their firm’s compliance obligations as a matter of law unless reasonably delegated. *See, e.g., Busacca*, 2010 SEC LEXIS 3787, at *37.

Applicants’ argument that Mr. Wedbush’s “overall firm management” obligations “would [make it] physically impossible for Mr. Wedbush to do detailed supervision” is equally unavailing. Applicants’ Br. at 20. Indeed, the Commission has repeatedly rejected the notion that a supervisor’s or president’s competing obligations negate his supervisory obligations. *Cf. Busacca*, 2010 SEC LEXIS 3787, at *38 (finding the firm’s president’s focus on generating more clearing business contributed to president’s failure to supervise); *Pellegrino*, 2008 SEC LEXIS 2843, at *39 (finding a securities principal’s sales efforts exacerbated, rather than alleviated, the risk of additional noncompliance).

[cont’d]

review that delegated authority to ensure that it is being properly exercised.”) (internal quotations and citations omitted).

2. Wedbush Securities and Mr. Wedbush Failed to Effectively and Reasonably Implement Wedbush Securities' Supervisory System

The NAC found, and the record demonstrates, that Wedbush Securities and Mr. Wedbush failed to effectively and reasonably implement Wedbush Securities' supervisory system.

During the relevant period, Wedbush Securities failed to properly report 80 disclosable events, resulting in 158 reporting violations. Decision at 15. The regulatory reporting violations occurred for more than five and one-half years, during which Wedbush Securities and Mr. Wedbush received several notifications from regulators about regulatory reporting issues, including examination reports, examination exit meetings, an AWC, and two Wells Notices. RP 4025-34, 5305-06, 5399-5414, 5421-28, 5451-56, 5463-64, 5467-5507. Unlike some red flags that merely suggest that misconduct may be occurring, the regulators' notifications explicitly detailed the Firm's regulatory reporting failures and put Mr. Wedbush and Wedbush Securities on notice about their continued occurrence. *Id.* Mr. Wedbush attended every examination exit meeting, signed the AWC, drafted the relevant portion of Wedbush Securities' response regarding filing deficiencies identified in the 2006 examination report, and signed the Firm's responses regarding filing deficiencies identified in the 2008 examination report. RP 5409, 5442-43, 5456, 5489, 5509, 5724. Despite the existence of actual notice of misconduct, Wedbush Securities and Mr. Wedbush failed to act decisively to detect and prevent subsequent violations of securities laws. *See Busacca*, 2010 SEC LEXIS 3787, at *38 ("Despite the presence of numerous red flags, Busacca failed to direct his prompt and full attention to remedying the Firm's operational breakdowns that arose and to preventing the occurrence of future problems."); *George J. Kolar*, 55 S.E.C. 1009, 1016 (2002) ("Decisive action is necessary whenever supervisors are made aware of suspicious circumstances, particularly those that have an obvious potential for violations."); *Robert Grady*, Exchange Act Release No. 41309, 1999

SEC LEXIS 768, at *7 (Apr. 19, 1999) (“Supervisors have an obligation to respond ‘vigorously’ and ‘with the utmost vigilance’ to ‘any indication of irregularity.’”).

Applicants argue that the NAC improperly concluded that the adequacy of Wedbush Securities’ supervisory system was not at issue. Applicants’ Br. at 21-22. Applicants’ argument is misplaced. The NAC’s liability finding, and resulting sanctions, is not an indictment of Wedbush Securities’ written supervisory procedures. As the NAC stated, “[t]he Firm adequately designed its supervisory system to ensure compliance with FINRA rules,” but Applicants “failed to implement effectively the Firm’s supervisory system.” Decision at 14.

As recited by the NAC, Wedbush Securities’ written supervisory procedures specified steps with regard to Form RE-3, Form U4 and Form U5, and customer complaint reporting. Decision at 14 n.16; RP 7309-12; Tr. 854-58. These procedures relied on the cooperation of Wedbush Securities’ division managers and employees, who were to notify the Business Conduct Department of reportable events. Applicants’ Br. at 22; RP 7309-7312; Tr. 854-58, 863-64, 976-78, 1772. But these procedures were not effectively implemented. *See Rita H. Malm*, 52 S.E.C. 64, 69 n.17 (1994) (“The presence of procedures alone is not enough. Without sufficient implementation, guidelines and strictures do not assure compliance.”). The NAC properly concluded that the Business Conduct Department lacked the authority or influence to ensure compliance with regulatory reporting,⁵ and neither Wedbush Securities nor Mr. Wedbush exerted their power and authority to compel the Firm’s personnel to act or took responsibility to ensure compliance with the regulatory reporting rules. Decision at 15; *See Robert E. Strong*,

⁵ If the Business Conduct did make recommendations about taking internal disciplinary action against a registered representative or placing him or her on heightened supervision, its recommendation was not necessarily followed because only the representative’s management chain had the authority to implement any recommendation. Tr. 887-89.

Exchange Act Release No. 57426, 2008 SEC LEXIS 467, at *18-19 (Mar. 4, 2008) (holding respondent liable for supervisory violations because he had the “responsibility, ability, or authority” to affect the conduct of firm personnel). The NAC also logically concluded that the Business Conduct Department effectively was relegated to an administrative role and “lacked the experience, training, and ability to enforce the written supervisory procedures.” Decision at 15.

Applicants are mistaken that whether Business Conduct Department personnel or those outside the Department neglected their obligations somehow affects a finding that Applicants failed to reasonably supervise regulatory reporting at Wedbush Securities. Applicants’ Br. at 22. Even Applicants acknowledge “directing any blame to the appropriate elements with[in] the Firm does not relieve [Wedbush Securities] of its obligations,” but then seemingly argue that a finding that Applicants failed to supervise was somehow based on its unchallenged procedures. Applicants’ Br. at 22. Applicants opportunely ignore that the “individual advisors, managers, [and] other employees outside of Business Conduct who failed to get information to the Business Conduct Department in a timely manner” were acting in direct contravention of Wedbush Securities’ written supervisory procedures. RP 5526, 5529, 5466, 7309-12. The inability of the Business Conduct Department to enforce Wedbush Securities’ written supervisory procedures is not indicative of deficient procedures. Rather, it was the result of the lack of experience, training, and ability of the Business Conduct Department to enforce Wedbush Securities’ written supervisory procedures, combined with a culture of noncompliance perpetuated by the lack of repercussions suffered by those who failed to report reportable events in accordance with the Firm’s procedures. Final responsibility for proper supervision of a member’s business rests with the member, and Applicants’ implementation of Wedbush Securities’ procedures indeed was unreasonable. See NASD Rule 3010(a); *see also Reynolds & Co.*, 39 S.E.C. 902, 917 (1960)

(“The duty of supervision cannot be avoided by pointing to the difficulties involved where facilities are expanding or by placing the blame upon inexperienced personnel. . . . These factors only increase the necessity for vigorous effort.”).

Applicants also argue that the NAC improperly concluded that the Business Conduct Department personnel were not qualified to carry out their compliance and reporting obligations. Applicants’ Br. at 21. The evidence speaks to the contrary. The sheer amount of violations over a five and one-half years period despite repeated notifications from regulators about continued regulatory reporting failures soundly supports the conclusion that Business Conduct Department personnel were not qualified to carry out their compliance and reporting obligations. Even Wedbush Securities admitted that it suffered from a lack of knowledge about filing requirements, a lack of communication between the legal department and Business Conduct Department, and a lack of experience and training. RP 5442-43, 5465-66, 5526, 5529.⁶ Moreover, as the Applicants have previously acknowledged, prior Business Conduct Managers and a CCO were unaware of regulatory filing requirements under NYSE Rule 351. RP 5442-43; *See Kresge*, 2007 SEC LEXIS 1407, at *35 (“Members should determine that supervisors understand and can effectively conduct their requisite responsibilities.”); *see also* NASD Rule 3010(a)(6) (stating that FINRA members must undertake “[r]easonable efforts to determine that all supervisory personnel are qualified by virtue of experience or training to carry out their assigned responsibilities”).

Mr. Wedbush was even less qualified to carry out the compliance and reporting obligations of Wedbush Securities as its Business Conduct Manager and CCO. He lacked the

⁶ Segall also testified, when he joined Wedbush Securities in October 2007, that, [t]he business conduct staff . . . was pretty experienced as far as background in compliance or even in the brokerage industry in general.” Tr. 845.

appropriate licensing and, admittedly, shuns a commitment to day-to-day supervision at the Firm. Tr. 819-20, 970-73, 975, 982-83. Nonetheless, he installed himself in the positions in August 2006, well after Wedbush Securities' regulatory reporting issues had been identified.⁷ RP 5404-05, 7319; Tr. 969, 993-95; *Cf. Busacca*, 2010 SEC LEXIS 3787, at *41 ("His previous involvement underscores the unreasonableness of his supervision. He understood the severity of the operational problems when he became president, yet he failed to act promptly."); *Sec. Planners Assoc., Inc.*, 44 S.E.C. 738, 742 (1971) (finding firm president, who was "generally aware" of the firm's problems before accepting promotion to president, failed to "exercise reasonable supervision to prevent" violations that continued to occur after he became president).

3. Wedbush Securities' and Mr. Wedbush's Corrective Measures Were Insufficient to Address Wedbush Securities' Extensive Regulatory Reporting Failures

The NAC properly concluded that Wedbush Securities' and Mr. Wedbush's corrective measures to improve the Firm's regulatory reporting were ineffective, inadequate, and unreasonable under the circumstances.

Applicants substitute supposition for evidence, claiming that certain regulatory reporting "improved dramatically as a result of Mr. Wedbush's management and leadership." Applicants' Br. at 23. The record, however, simply does not bear out these assertions. The NAC considered that Wedbush Securities and Mr. Wedbush implemented numerous initiatives to improve the supervision of the Firm's regulatory reporting, including additional training for the Business Conduct Department and legal department personnel, new management, and emphasis on

⁷ When asked who answered Business Conduct Department personnel's questions after he became the Business Conduct Manager, Mr. Wedbush testified, "I don't know the answer to that question. As I sit here today, my focus was not on that area, perhaps if at all. If it was, it was very, very little." Tr. 982-83.

regulatory reporting at the Firm's Saturday management committee meeting among executives led by Mr. Wedbush every other month. Decision at 17-18; RP 5417-18, 5442-43, 5465-66, 5526, 5529. But Applicants' corrective actions undoubtedly failed to adequately address Wedbush Securities' regulatory reporting issues because the Firm continued to commit violations throughout the relevant period, and more than half of Wedbush Securities' violations occurred after Mr. Wedbush's delayed efforts. RP 4025-34 (item nos. 27-81); *Cf. Busacca*, 2010 SEC LEXIS 3787, at *44 (finding respondent's corrective measures, including holding weekly meetings, periodically checking on operations staff and requiring them to review firm procedures, and increasing staff, "were not reasonably designed to address the extensive operational dysfunction"); *Pellegrino*, 2008 FINRA Discip. LEXIS 10, at *53, 71 (finding that respondent's supervisory steps, including training initiatives, staffing and recruitment changes, and amendments to procedures, were insufficient to address the problems at the firm). Such indirect, ineffective, and inadequate undertakings belie reasonable supervision. *See id.*

Without a single citation to the record, Applicants argue that the NAC's conclusion that their corrective measures were untimely and insufficient "flies in the face of the evidence." Applicants' Br. at 23. The evidence speaks to the contrary, and Applicants' examples are unpersuasive. First, Applicants assert that whereas Wedbush Securities filed 27 Forms U5 late during the period 2003 to 2005, its Form U5 reporting "improved to nearing 100% timely reporting rate . . . over the last several years." Applicants' Br. at 22-23. Applicants' assertion of nearing 100 percent timely reporting rate is an overstatement of any improvement with respect to Wedbush Securities' Form U5 reporting. Although Wedbush Securities may have improved the filing of its Form U5 termination notices, it continued to make untimely Form U5 disclosures. *Compare* RP 6810, 6816 *with* RP 6808, 6814, 1534-35. Wedbush Securities also continued to

file Forms U4 untimely, and well in excess of the industry average rate, throughout the relevant period.⁸ RP 1536. Second, Applicants point out that Wedbush Securities' percentage of late Form U4 and U5 disclosures improved to 18 percent for the period September 2010 to August 2011, which is *after* the relevant period in this matter. Applicants' Br. at 23. The Commission, like the NAC, should therefore disregard this contention entirely. Decision at 26.

Even Applicants concede that any alleged improvement "may have been slower than all parties would have liked." Applicants' Br. at 23. This understatement ignores that Applicants were required, yet nonetheless failed, to act *decisively* when they became aware of Wedbush Securities' regulatory reporting failures. *See Kresge*, 2007 SEC LEXIS 1407, at*37 (affirming violation of Rule 3010 where supervisor's corrective actions came after months of inaction and after FINRA began an investigation); *Strong*, 2008 SEC LEXIS 467, at *26 ("[T]he evidence establishes that Strong's unreasonable inaction effectively nullified the supervisory system," thus demonstrating "a significant failure of supervision").

C. Applicants' Procedural Arguments Fail

1. Applicants Received a Fair Hearing

Applicants' central argument on appeal, as it was before the NAC, is that they were denied a fair hearing because they lacked notice that the proceeding might result in Mr. Wedbush being subject to a suspension. Applicants' Br. at 10-17. Applicants' argument is meritless, and

⁸ Of course, it is not necessary for the Firm's regulatory reporting to exceed the industry average to conclude that the Firm violated the applicable rules or that the Applicants failed to effectively supervise regulatory reporting at Wedbush Securities. As the SEC has repeatedly held, "the fact that a practice is common or widespread in an industry does not make such conduct proper or legal." *Ko Sec. Inc.*, 56 S.E.C. 1126, 1132 (2003), *aff'd*, 192 F.3d 1209 (9th Cir. 1999). And it is "immaterial that others may also have violated [FINRA's] rules and have not yet been reached by the enforcement machinery." *C.A. Benson & Co.*, 42 S.E.C. 107, 111 (1964).

the Commission should reject it. As the NAC found, and the record demonstrates, the disciplinary proceeding was conducted in accordance with fair procedures because the complaint, FINRA Rule 8310(a), and the Guidelines provided Applicants with sufficient notice that a suspension was a possible sanction that could be imposed by the Extended Hearing Panel as a result of Mr. Wedbush's failure to supervise.

Applicants do not deny that they were aware that Mr. Wedbush was charged with a failure to supervise regulatory filings. Applicants' Br. at 4, 6; RP 28-29, 274-76, 898-900. Section 15A(h)(1) of the Exchange Act requires that FINRA, in a disciplinary proceeding, "bring specific charges, notify such member or person of, and give him an opportunity to defend against, such charges, and keep a record."⁹ 15 U.S.C. § 78o-3(h)(1).¹⁰ The complaint charged Mr. Wedbush with a "failure to supervise registration filings" and, in the relief requested, requested "one or more of the sanctions provided under FINRA Rule 8310(a)." RP 30, 277, 901. FINRA Rule 8310(a) provides, in any disciplinary proceeding, that FINRA may impose one or more sanctions on a member or person associated with a member for each violation, including "(2) impose a fine upon a member or person associated with a member; (3) suspend the membership of a member or suspend the registration of a person associated with a member . . . or

⁹ Similarly, FINRA Rule 9212(a) provides that in FINRA's disciplinary proceedings, "[t]he complaint shall specify in reasonable detail the conduct alleged to constitute the violative activity and the rule, regulation, or statutory provision the Respondent is alleged to be violating or to have violated."

¹⁰ In support of their argument, Applicants rely on Section 15A(h)(2) of the Exchange Act. Applicants' Br. at 10. That provision, however, is inapplicable because it applies to membership proceedings, not disciplinary proceedings. 15 U.S.C. § 78o-3(h)(2). Moreover, and as conceded by Applicants, the provision does not even reference "suspensions." Applicants' Br. at 10; *see id.*

(7) impose any other fitting sanction.” Thus, the complaint and FINRA Rule 8310(a) put Applicants on notice that a suspension was within the range of possible sanctions.¹¹

Likewise, the Guidelines put Applicants on notice. Despite conceding that “they were aware of the Sanction Guidelines,” Applicants argue that they were unaware that a suspension was a possible sanction for Mr. Wedbush’s misconduct. Applicants’ Br. at 15. But the Guidelines are published and distributed by FINRA “so that members, associated persons, and their counsel will have notice of the types of disciplinary sanctions that may be applicable to various violations.” *Jason A. Craig*, Exchange Act Release No. 59137, 2008 SEC LEXIS 2844, at *17 n.27 (Dec. 22, 2008) (citing *FINRA Sanction Guidelines* (2007)). Although Applicants acknowledge this very purpose, they incongruously argue that the Guidelines do not tell associated persons what specific sanctions may be applicable in a specific case. Applicants’ Br. 15. To the contrary, that is exactly what the Guidelines do—provide “notice of the types of disciplinary sanctions that may be applicable to various violations.”¹² *Craig*, 2008 SEC LEXIS at *17 n.27. In the case of a failure to supervise, the Guidelines advise adjudicators to *consider a suspension* of the “responsible individual in all supervisory capacities for up to 30 business days” or longer in egregious cases. *FINRA Sanction Guidelines*, 103 (2013)

¹¹ On appeal, Applicants assert that the recitation of FINRA Rule 8310 in the “prayer” section of complaint renders the prayer for relief meaningless. Applicants’ Br. at 15. On the contrary, FINRA Rule 8310 meaningfully details each of the possible sanctions that FINRA is authorized to impose in any disciplinary matter, and the specific reference to it in the complaint only further serves to notify Applicants. See *Bison Sec., Inc.*, 51 S.E.C. 327, 334 (1993) (holding that Article V, Section 1 of NASD Rules, which was substantially similar to FINRA Rule 8310(a), “provides adequate notice of the possible sanctions a violator may face”).

¹² In their opening brief, Applicants also seemingly conflate the purpose of a FINRA complaint and the Guidelines. Applicants’ Br. at 15. The purpose of a complaint is to provide the specific charge or violation, notify the member or person of the charge, and give him an opportunity to defend against it in accordance with Section 15A(h)(1) of the Exchange Act.

<http://www.finra.org/web/groups/industry/@ip/@enf/@sg/documents/industry/p011038.pdf> (emphasis added) (hereinafter “*Guidelines*”). Thus, Mr. Wedbush had ample notice of the recommended range of possible sanctions that he faced.

Applicants attempt to support their argument by reciting at length the instances in the proceeding at which Enforcement did not advocate or request a suspension. Applicants’ Br. at 6, 7, 10-11. The Extended Hearing Panel, however, is not bound by Enforcement’s recommendation. The assessment of sanctions in a FINRA disciplinary proceeding is solely within the province of FINRA adjudicators. In fact, nowhere do FINRA rules or the *Guidelines* suggest that FINRA adjudicators are limited by Enforcement’s recommendation, nor have Applicants offered any authority to support such a proposition. The *Guidelines* direct adjudicators to design remedial sanctions “that are significant enough to prevent and discourage future misconduct by a respondent, to deter others from engaging in similar misconduct, and to modify and improve business practices” and “tailored to address the misconduct involved in each particular case.” *Guidelines*, at 2-3. As the *Guidelines* make clear, adjudicators exercise broad discretion in doing so. *Guidelines*, at 3 (“The recommended ranges in these guidelines are not absolute.”). In this case, both the Extended Hearing Panel and NAC, in their discretion, determined that a suspension was appropriately remedial to address Mr. Wedbush’s serious misconduct. Decision at 34-35; RP 7488-89.

Indeed, the true import of Applicants’ argument is that Enforcement’s recommendation of sanctions is binding on FINRA adjudicators. This proposition is contrary to Commission precedent. The Commission has upheld the ability of FINRA hearing panels to impose a sanction not requested by Enforcement. See *Dep’t of Enforcement v. FCS Secs.*, Disciplinary Proceeding No. 2007010306901, 2009 FINRA Discip. LEXIS 19, at *22 (FINRA Hearing Panel

May 13, 2009) (imposing a four-month suspension on the respondent firm while noting that “Enforcement did not request a suspension of either [respondent]”), *aff’d*, 2010 FINRA Discip. LEXIS 9 (FINRA NAC July 30, 2010), *aff’d*, 2011 SEC LEXIS 2366 (July 11, 2011).

The record belies applicants’ argument that they were prejudiced at every stage of the underlying disciplinary proceeding because of their purported lack of notice of a potential suspension. As an initial matter, the spurious distinction posited by Applicants between a defense against a monetary fine and a defense against a suspension does not exist in fact. The objectives of sanctions in FINRA disciplinary proceedings are the same regardless of what type of sanction is ultimately imposed. *Guidelines*, at 2-3.

Moreover, having understood that Mr. Wedbush was charged with a failure to supervise regulatory filings, Mr. Wedbush, who was represented by counsel throughout the matter, was, in fact, afforded full opportunity to litigate the issues and prepare and present his defenses. *See William C. Piontek*, 57 S.E.C. 79, 90-91 (2003). Applicants argue they would have addressed a suspension in their “arguments,” “elicited significantly more, and different, testimony,” and stipulated to less or no violations had they known a suspension was a possible sanction. Applicants’ Br. at 12. But Applicants were not prevented from presenting argument or evidence that would have established that a suspension was not warranted. And “the failure of [Applicants] to testify and adduce available evidence to meet the charges against [respondent] and show mitigating factors does not entitle [them] to have the proceedings reopened after the issuance of an adverse decision.” *Scott Epstein*, Exchange Act Release No. 59328, 2009 SEC LEXIS 217, at *60 (Jan. 30, 2009), *aff’d*, 416 F. App’x 142 (3d Cir. 2010); *see also Russo Sec., Inc.*, 55 S.E.C. 58, 78 (2001). Thus, the purported lack of awareness of Applicants, and their counsel, about a possible suspension does not render the proceeding below unfair.

According to Applicants, they limited their witnesses to nine “at the urging of the Hearing Officer.” Applicants’ Br. 12. But as Applicants previously have acknowledged, the Hearing Officer denied Enforcement’s motion to preclude testimony from 13 of the 23 witnesses identified in their witness list. Applicants’ Br. at 12; RP 1105-1119, 1373-74, 1379-80, 7735, 7739. Therefore, nothing prevented Applicants from calling any of the 23 witnesses they disclosed on their proposed witness list.

Applicants willingly stipulated that Wedbush Securities failed to disclose 59 reportable events, resulting in 115 regulatory reporting violations. RP 4025-34, 7465-36. Their argument that, “[h]ad they known that a suspension or a fine exceeding \$250,000 was possible,” they might have agreed to fewer or no stipulations¹³ smacks of litigation gamesmanship that the Commission should ignore. In any event, the stipulated facts are not in any serious doubt.

Applicants also argue that the Extended Hearing Panel improperly admitted Enforcement’s evidence over Applicants’ objection about the stipulated violations for sanctions purposes. By stipulating to these violations, Applicants did not preclude consideration of those violations for sanction purposes. To hold otherwise would endanger the expeditious resolution of FINRA disciplinary proceedings. *See Joseph Abbondante*, 58 S.E.C. 1082, 1088 n.12 (2006) (“Stipulated facts serve important policy interests in the adjudicatory process, including playing a key role in promoting timely and efficient litigation.”), *aff’d*, 209 F. App’x 6 (2d Cir. 2006). The NAC properly concluded that the evidence was relevant and properly admitted it.

¹³ Just as Applicants are unable to argue that the complaint, FINRA Rule 8310(a), and the Guidelines failed to provide sufficient notice of the charges and possible sanctions that could be imposed against Mr. Wedbush, they likewise are unable to argue the same failed to provide sufficient notice with respect to a larger fine than requested by Enforcement being assessed against the Firm. The appropriateness of the NAC’s imposition of the \$300,000 fine is addressed more fully in Section IV.D.3.

Applicants fail to distinguish the authority upon which the NAC relied to conclude that Applicants received a fair hearing in accordance with FINRA rules and the Exchange Act. First, Applicants are mistaken that the lack of a suspension in *William C. Piontek*, 57 S.E.C. 79 (2003) somehow makes the Commission's holding less relevant. In *Piontek*, the Commission held that an applicant had "sufficient notice of the charges against him and opportunity to prepare and present his defense" when the applicant "'understood the issue[s]' and 'was afforded full opportunity' to litigate the issues." *Id.* at 90-91. The relevant question is not whether the applicant understood the possible sanctions for the alleged charges. Here, Applicants do not deny that they were aware of the issue—i.e., that Mr. Wedbush was charged with a failure to supervise regulatory filings. Applicants' Br. at 4, 6; RP 28-29, 274-76, 898-900. The complaint so charged Mr. Wedbush, and Mr. Wedbush even responded to the second Wells Notice concerning the allegation. RP 28-29, 274-76, 898-900, 5307-09, 5317. Thus, Applicants were, in fact, afforded full opportunity to litigate in accordance with Section 15A(h)(1) of the Exchange Act. *Id.*; see also *Sundra Escott-Russell*, 54 S.E.C. 867, 873-74 (2000) (finding requirements of Section 15A(h)(1) met when FINRA brought specific charges, the respondent had notice of such charges, the respondent had an opportunity to defend against such charges, and FINRA kept a record of the proceedings).

Second, the fact that the Guidelines were not published at the time in *Bison Securities, Inc.*, 51 S.E.C. 327 (Mar. 23, 1993) only further bolsters the NAC's conclusion that Applicants were provided sufficient notice that Mr. Wedbush could be suspended. In *Bison*, the Commission held that, notwithstanding the unpublished Guidelines at the time, Article V, Section 1 of NASD Rules, which was substantially similar to FINRA Rule 8310(a), "provides adequate notice of the possible sanctions a violator may face." *Id.* at 334. Here, the complaint

explicitly requested any sanction under FINRA Rule 8310(a). Moreover, Applicants concede, unlike the *Bison* applicants, that “they were aware of the Sanction Guidelines.” Applicants’ Br. at 14-15. Thus, not only were Applicants provided adequate notice by FINRA Rule 8310(a), *see Bison*, 51 S.E.C. at 334, but they also reaped the added benefit of the published Guidelines, which put them on notice that a suspension was within the range of the possible sanctions.

Finally, the NAC’s reliance on *Caruselle v. New York Mercantile Exch.*, 2005 CFTC LEXIS 64 (June 21, 2005) is not, as the Applicants claim, problematic. The NAC referenced the matter as analogous support for the proposition that the Extended Hearing Panel, like NYMEX, has broad authority to impose any sanction it sees fit. Decision at 34. Constraining FINRA adjudicators to impose sanctions less than or equal to Enforcement’s recommendation, as Applicants suggest, would be antiethical to the Guidelines’ principles concerning the broad authority of adjudicators to impose appropriately remedial sanctions. *See Guidelines*, at 3 (“The recommended ranges in these guidelines are not absolute.”); *see also id.* at 3 (instructing FINRA adjudicators to design remedial sanction “tailored to address the misconduct involved in each particular case.”).

Applicants mischaracterize the NAC’s decision when they assert that the NAC found Applicants received a fair hearing because of “its belief that no ‘distinction exists’ between a fine and a suspension.” Applicants’ Br. at 16. Rather, the NAC rejected Applicants’ argument because it found that “the complaint, which requested any sanction under FINRA Rule 8310(a) and explicitly charged Mr. Wedbush with a failure to supervise regulatory filings, provided [Applicants] with sufficient notice that Mr. Wedbush could be suspended,” thus complying with Section 15A(h)(1) of the Exchange Act. Decision at 19. The NAC continued that the Guidelines were made publicly available so that members, associated persons, and counsel could become

more familiar with the possible applicable sanctions for various violations. Decision at 19-20. The NAC did not posit that there was no difference between a fine and a suspension, but instead disagreed with Applicants that there was a distinction between monetary mitigation and mitigation as it applies to a suspension, reasoning that “the objectives of sanctions in FINRA disciplinary proceedings are the same regardless of what type of sanction ultimately is imposed.” Decision at 20. The NAC continued that “[Applicants] were not prevented from presenting evidence that would have established that a suspension was not warranted.” Decision at 20. Thus, the NAC concluded that Applicants received a fair hearing. Decision at 20. In fact, the NAC’s decision acknowledges there is a difference between a fine and a suspension because it explicitly imposed both on Mr. Wedbush for the “purpose of protecting investors.” Decision at 35.

2. The Evidence Does Not Support a Claim of Selective Prosecution

Applicants argue that Mr. Wedbush was unfairly targeted by FINRA. While acknowledging that Mr. Wedbush assumed the position of CCO at Wedbush Securities, they note that no other Firm CCO during the relevant period received any public discipline. As the NAC stated, “[i]t is well established that FINRA has broad discretion to determine who should be charged with wrongdoing. Decision at 21; *See, e.g., Schellenbach v. SEC*, 989 F.2d 907, 912 (7th Cir. 1993) (“[FINRA] disciplinary proceedings are treated as an exercise of prosecutorial discretion.”). To the extent that Applicants are arguing that FINRA has engaged in selective prosecution, that argument is without support. The record is devoid of evidence that Mr. Wedbush was singled out for enforcement while others similarly situated were not and that such prosecution was motivated by arbitrary or unjust considerations (e.g., race, religion, or the desire

to prevent the exercise of a constitutionally protected right).¹⁴ See *Epstein*, 2009 SEC LEXIS 217, at *53; *Terrance Yoshikawa*, Exchange Act Rel. No. 53731, 2006 SEC LEXIS 948, at *28-29 (Apr. 26, 2006). Rather, the record shows that FINRA brought a well-founded complaint against both Wedbush Securities and Mr. Wedbush in response to serious regulatory reporting problems at the Firm, all of which the Firm and Mr. Wedbush were aware and failed to address. Therefore, the Commission should reject the argument.

D. The Sanctions Imposed by the NAC Are Consistent With FINRA's Sanction Guidelines and Are Neither Excessive Nor Oppressive

Section 19(e)(2) of the Exchange Act guides the Commission's review of FINRA's sanctions, and provides that the Commission may eliminate, reduce, or alter a sanction if it finds that the sanction is excessive, oppressive, or imposes a burden on competition not necessary or appropriate to further the purposes of the Exchange Act. See *Jack H. Stein*, 56 S.E.C. 108, 120-21 (2003). The Commission considers the principles articulated in the Guidelines and has regularly affirmed sanctions that are within the recommended ranges contained in the relevant Guidelines. See *Robert Tretiak*, 56 S.E.C. 209, 233 (2003); *Daniel D. Manoff*, 55 S.E.C. 1155, 1166 (2002).

The NAC fined Wedbush Securities \$200,000 for its collective regulatory reporting failures and an additional \$100,000 for its failure to reasonably supervise Wedbush Securities' regulatory reporting. The NAC also fined Mr. Wedbush \$50,000 and suspended him in all principal capacities for 31 days for his failure to reasonably supervise regulatory reporting.¹⁵

¹⁴ Of course, unlike other CCOs at Wedbush Securities, Mr. Wedbush was the Firm's president throughout the relevant period.

¹⁵ The Extended Hearing Panel's decision fined Mr. Wedbush \$25,000 and suspended him from all supervisory activities, other than the supervision of trading and order entry, for 31 days.

[Footnote continued on next page]

The Commission should affirm the NAC's sanctions. The sanctions imposed on Applicants are supported by the facts in this case, are consistent with the Guidelines, are neither excessive nor oppressive, and serve the public interest. The NAC carefully balanced all mitigating and aggravating factors and imposed sanctions that are appropriately remedial and correctly reflect the gravity of Applicants' misconduct.¹⁶

1. The NAC Appropriately Sanctioned Wedbush Securities for Its Regulatory Reporting Failures

The NAC fined Wedbush Securities \$75,000 for late filing, failing to file, and filing inaccurate Forms RE-3; \$100,000 for late filing, failing to file, and filing inaccurate Forms U4 and U5; and \$25,000 for late filing, failing to file, and filing inaccurate Rule 3070 reports. Other than a general statement in its notice of appeal that “[t]he sanctions issued against Applicants are erroneous in that they are inconsistent with the evidence presented at the hearing and the FINRA Sanction Guidelines,” Applicants do not present any argument contesting the sanctions imposed on Wedbush Securities for its regulatory reporting violations. The imposed sanctions, which are within the recommended range under the Guidelines, are neither excessive nor oppressive, and they should be affirmed by the Commission.¹⁷

[cont'd]

RP 7489. The NAC modified these sanctions, increasing the fine to \$50,000 and removing the carve-out for the supervision of trading and order entry activities from the Extended Hearing Panel's suspension order. Decision at 34-35. The NAC's action was well within its authority. See FINRA Rule 9348 (“In any appeal or review proceeding . . . the [NAC] . . . may affirm, modify, reverse, increase, or reduce any sanctions, or impose any other fitting sanction.”).

¹⁶ Applicants do not contend, and the record does not show, that the sanctions are an undue burden on competition.

¹⁷ When reviewing FINRA disciplinary action, the Commission gives weight to whether the sanctions imposed by FINRA are within the recommended sanction range under the Guidelines. See *Midas Secs., LLC*, 2012 SEC LEXIS 199, at *61 n.85 (noting that the Guidelines serve as a “benchmark” in reviewing sanctions).

a. The Firm's Violations With Respect to Forms RE-3

The \$75,000 fine imposed upon Wedbush Securities for its Form RE-3 violations is consistent with the Guidelines and serves an important, curative purpose. There are no specific Guidelines for Form RE-3 violations, so the NAC considered the Guidelines for late filing, failing to file, and filing false, misleading, or inaccurate Forms U4 or U5 or amendments, the most closely analogous Guidelines. *See Guidelines*, at 1 (providing that it appropriate for adjudicators to consider, where there is no specific guideline for a violation, the guidelines for analogous misconduct); *John Joseph Plunkett*, Exchange Act Release No. 9766, 2013 SEC LEXIS 1699, at *42 (June 14, 2013) (affirming FINRA adjudicators' use of analogous guidelines). For late filing Forms U4 or U5 or amendments, the Guidelines recommend considering, in addition to the General Principles and Principal Considerations in Determining Sanctions applicable to all violations, a fine of \$5,000 to \$50,000. *Guidelines*, at 69. For failing to file, or for filing false, misleading, or inaccurate Forms U4 or U5 or amendments, the Guidelines recommend considering a fine on the firm between \$5,000 and \$100,000. *Id* at 70. In evaluating the appropriate sanctions to impose for the Firm's Form RE-3 violations, the NAC applied the two relevant principal considerations: the nature and significance of the information at issue and whether the misconduct resulted in harm to a registered person, another member firm, or any other person or entity. *Id.* at 69. The NAC also appropriately balanced a number of aggravating factors and gave due consideration to the public interest in reaching its decision. Decision at 22-23.

First, the NAC considered the importance of the Form RE-3 as a tool for regulators to identify potential issues warranting further investigation. Decision at 22. Second, the NAC considered the substantial number of violations, gross inaccuracy, extent of the lateness, and the

complete failure to file three Forms were aggravating factors supporting higher sanctions.

Decision at 22. By filing 33 Forms RE-3 late, two Forms RE-3 inaccurately, and failing to file three Forms RE-3, the NAC noted that regulators were deprived of the opportunity to identify sales practice problems, potential fraudulent activity, and other violations of securities laws.

Decision at 22.

The NAC also considered that Wedbush Securities was previously was on notice—in both March 2002 and December 2006—that it failed to properly disclose complaints in compliance with NYSE Rule 351(a)(8) and (9), but nonetheless failed to take appropriate action. Decision at 22-23. The NAC properly found the Firm’s continued and repeated misconduct aggravating and a strong sanction necessary to deter future regulatory reporting failures at the Firm. Decision at 23; *See Midas Sec., LLC*, 2012 SEC LEXIS 199, at *67 (“Applicants’ repeated misconduct underscores the egregiousness of their violations and demonstrates a conscious disregard for their regulatory obligations.”); *Dep’t of Enforcement v. Fox & Co. Inv., Inc.*, Complaint No. C3A030017, 2005 NASD Discip. LEXIS 5, at *45 (NASD NAC Feb. 24, 2005), *aff’d*, 58 S.E.C. 873 (2005) (finding that a stronger sanction for reporting failures was necessary to deter future misconduct where respondents previously committed the same rule violations). On balance, the NAC concluded that the \$75,000 fine assessed by the Extended Hearing Panel struck an appropriate balance and served the public interest by encouraging future compliance with regulatory reporting rules by Wedbush Securities and others in the securities industry. Decision at 23.

b. The Firm’s Violations With Respect to Forms U4 and U5

The \$100,000 fine imposed upon Wedbush Securities for the Firm’s Form U4 and U5 violations also is consistent with the Guidelines and should likewise be affirmed. The NAC

applied the same foregoing principal considerations. Decision at 23. First, the NAC considered that the Firm's 113 violations were extensive. Decision at 23-24. Second, the NAC considered that the information was "highly significant" because the reporting failures included substantial settlements with customers, FINRA and SEC Wells Notices, criminal matters, bankruptcies, customer complaints, and civil litigation arbitration filings. Decision at 24. The NAC noted that such information was not only important to regulators, but also to customers seeking information about the Firm and its brokers. Decision at 24; *See Richard A. Neaton*, Exchange Act Release No. 65598, 2011 SEC LEXIS 3719, at *17-18 (Oct. 20, 2011) ("The duty to provide accurate information and to amend the Form U4 to provide current information assures regulatory organizations, employers, and members of the public that they have all material, current information about the securities professional with whom they are dealing."). Noting that the Firm's percentage of Form U4 and U5 late disclosures far exceeded the industry average over a five and one-half years period, the NAC concluded that the Firm's misconduct was reckless. Decision at 25. The NAC found no mitigation for any purported improvement regarding Forms U5, reasoning even if there were improvement, it occurred only after numerous notices by regulators and therefore was not mitigating. Decision at 26.

The NAC, noting the Firm's 2007 AWC, correctly found that the Firm's recidivism was aggravating and warranted a strong sanction. *See Midas Sec., LLC*, 2012 SEC LEXIS 199, at *67; *Fox*, 2005 NASD Discip. LEXIS 5, at *45. On balance, the NAC concluded that the \$100,000 fine assessed by the Extended Hearing Panel was necessary to deter future misconduct by the Firm and others from engaging in similar misconduct. Decision at 26.

c. The Firm's Violations With Respect to Rule 3070 Reports

Finally, the \$25,000 fine imposed upon Wedbush Securities for the Firm's Rule 3070 report violations is consistent with the Guidelines and should also be affirmed. For late reporting under NASD Rule 3070, the Guidelines recommend considering a fine of \$5,000 to \$50,000. *Guidelines*, at 74. In evaluating the appropriate sanctions to impose for the Firm's late NASD Rule 3070 reporting, the NAC considered the number and type of incidents not reported and whether the events reported in late reports established a pattern of potential misconduct. Decision at 26-27. For the failure to file or filing false, misleading, or inaccurate reports under NASD Rule 3070, the Guidelines recommend a fine of \$5,000 to \$100,000. *Guidelines*, at 74. In evaluating the appropriate sanctions to impose for the Firm's failure to file or the filing of false, misleading or inaccurate Rule 3070 reports, the NAC considered whether the events not reported or reported inaccurately would have established a pattern of potential misconduct and the number and type of incidents not reported or reported inaccurately. Decision at 27.

The NAC considered that the information reported by members pursuant to NASD Rule 3070 assists with the timely identification of problems to detect and investigate potential sales practice violations and operational problems. Decision at 27. The NAC noted that Firm's seven violations concerned allegations of unauthorized trading and unsuitable investment strategies, and the Firm's failure to accurately disclose the complaints prevented FINRA from detecting and investigating the claims. Decision at 27. The NAC appropriately balanced the smaller number of violations with the significant untimeliness and gross inaccuracy in one report. Decision at 27. The NAC also found that the Firm's failure to file one customer complaint distorted what could have been a pattern of misconduct by a particular representative that may have elicited further investigation by regulators. Decision at 27-28. The NAC noted, like the Firm's other

reporting violations, that the Firm had been cautioned by regulators repeatedly about properly reporting customer complaints, which it found aggravating. Decision at 27-28. Under the circumstances, a \$25,000 fine—at the lower end of the Guidelines’ suggested range for monetary sanctions—is appropriately remedial. Decision at 28.

2. The NAC Appropriately Sanctioned Mr. Wedbush for His Serious Failure to Reasonably Supervise

For failing to reasonably supervise, the Guidelines recommend consideration of a fine between \$5,000 and \$50,000 and a suspension in all supervisory capacities for up to 30 business days. *Guidelines*, at 103. In egregious cases, the Guidelines recommend suspending the responsible individual in any or all capacities for up to two years or imposing a bar. *Id.* The Guidelines also recommend considering, in addition to the General Principles and Principal Considerations in Determining Sanctions applicable to all violations, the nature, extent, and size of the underlying misconduct; whether the respondent ignored red flags; the quality and degree of the supervisor’s implementation of the firm’s supervisory procedures and controls; and whether the respondent attempted to conceal misconduct. *Id.*

The NAC concluded, after weighing all factors, that Mr. Wedbush’s misconduct warranted a 31-day suspension in all principal capacities and a \$50,000 fine. Decision at 34-35. The record fully supports the NAC’s imposition of these sanctions, which are neither excessive nor oppressive and are entirely consistent with the Guidelines.¹⁸ Mr. Wedbush’s misconduct was serious and warranted significant sanctions, particularly in light of the “numerous and highly aggravating factors.” Decision at 35.

¹⁸ The Guidelines recommend that adjudicators consider “a suspension in all supervisory capacities for up to 30 business days.” *Guidelines*, at 103. Mr. Wedbush’s 31-day suspension incorporates both business and non-business days, and thus is well within the Guidelines’ range.

The NAC considered that the regulatory reporting violations were extensive and persisted over a long period of time. Decision at 31; RP 4025-4034. Specifically, the NAC noted that 30 violations occurred while Mr. Wedbush was serving as the Business Conduct Manger, and directly supervising the Business Conduct Department, and an additional 91 violations occurred thereafter when the new CCO reported directly to Mr. Wedbush. Decision at 31; RP 4025-34 (item nos. 5, 7-9, 11, 13-14, 18-81). The NAC further considered, despite his actual knowledge of Wedbush Securities' regulatory reporting problems, Mr. Wedbush "failed to act decisively and reasonably to address the issues." Decision at 31. It found that any alleged improvement, which is not supported by the record, was not meaningful because Mr. Wedbush's "efforts were delayed and ineffective at addressing the widespread regulatory reporting problems."¹⁹ Decision at 31; RP 4025-34 (item nos. 5, 7-9, 11, 13-14, 18-81).

The NAC found it aggravating that Mr. Wedbush, despite knowing about Wedbush Securities' regulatory reporting problems and his lack of commitment to supervising regulatory filings, installed himself as the Business Conduct Manager and CCO, working a mere 10 hours a week in the Business Conduct Department when the position clearly necessitated a greater commitment. Decision at 31; RP 5404-05, 7319; Tr. 969, 975-77, 982-83, 993-95.

While conveniently ignored by Applicants in their opening brief, the NAC also found it aggravating that Mr. Wedbush failed to ensure that his own Form U4 was amended in a compliant manner on two separate occasions. Decision at 32; RP 4079-4138.1, 5305-5320.2,

¹⁹ Applicants' corrective actions, even if successful, are not mitigating for purposes of sanctions because they were only undertaken after being notified by regulators about the Firm's reporting failures and commencement of the underlying investigation. See *Dennis Todd Lloyd Gordon*, Exchange Act Release No. 57655, 2008 SEC LEXIS 819, at *68 (Apr. 11, 2008) ("Remedial action taken after the initiation of an examination has little mitigative value.").

6673-6690; Tr. 165-99, 358-64, 399-401, 425-28, 881-86. The NAC properly found that Mr. Wedbush's actions demonstrated a "troubling disregard for the regulatory reporting rules." Decision at 33.

The NAC correctly dismissed Applicants' attempt to blame others—including registered representatives, branch managers, and other personnel both in and outside the Business Conduct Department—for the regulatory reporting failures at the Firm, finding notwithstanding their conduct, Mr. Wedbush himself is responsible for serious supervisory lapses.²⁰ Decision at 33; *see also Wedbush Sec., Inc.*, 48 S.E.C. at 972 (dismissing the Firm's argument for reduced sanctions because the supervisory deficiencies were the immediate responsibility of a branch manager).

The NAC's elimination of the a carve out for the supervision of trading and order entry activities because of Mr. Wedbush's "troubling disregard for supervision in general" is well supported by the record. Decision at 35. The fact that Applicants continue to assert, to this day, that Mr. Wedbush, as president of Wedbush Securities, does not have supervisory responsibilities only further bolsters the appropriateness of the sanction the NAC imposed. Applicants' Br. at 20.

Contrary to Applicants' protestations, suspensions imposed on firm presidents for a failure to reasonably supervise are not unprecedented, and the lack of fraud or intentional malfeasance does not preclude a suspension for ineffective supervision. *Cf. Busacca*, 2010 SEC LEXIS 3787, at *38 (affirming a fine and suspension on the firm president for his failure to

²⁰ Mr. Wedbush, specifically, attributed "practicably 100 percent" of the filing issues alleged in the complaint to management in Wedbush Securities' four divisions, from branch and division managers to executive vice presidents, but not to the Business Conduct Department. Tr. 1562.

reasonably supervise back-office operations after a software conversion caused operational breakdowns).

Applicants are mistaken that the NAC's decision is "effectively silent on whether Mr. Wedbush's suspension would [protect] the investing public." Applicants' Br. at 17. In fact, the NAC explicitly imposed the sanctions, including the suspension, "for the purposes provided in the Guidelines, including for the purpose of protecting investors." Decision at 35. As recited by the NAC, "[t]he regulatory reporting rules exist to protect the investing public and provide meaningful and significant information to regulators, broker-dealers, and the investing public itself to further that goal." Decision at 35.

By failing to ensure that Wedbush Securities complied with its regulatory reporting obligations, Mr. Wedbush deprived regulators, broker-dealers, and the investing public of material information and endangered the public. *See Neaton*, 2011 SEC LEXIS 3719, at *17-18 ("The duty to provide accurate information and to amend the Form U4 to provide current information assures regulatory organizations, employers, and members of the public that they have all material, current information about the securities professional with whom they are dealing."); *NASD Notice to Members 06-34*, 2006 NASD LEXIS 82, at *1 (July 2006) ("The [Rule 3070] information reported by members provides NASD with important regulatory information that assists with the timely identification of potential sales practice and operational problems."); *NYSE Information Memo 2005-65*, 2005 NYSE Info. Memo LEXIS 67, at *4-5 (Sept. 14, 2005) ("Reports of misconduct [on the Form RE-3] that [were] late (i.e., submitted more than 30 days after a reportable event), unduly short, vague, or misleading, or that mischaracterize a matter . . . interfere[d] with the Exchange's ability to efficiently make informed decisions as to whether review of a reported matter [was] appropriate."); *NASD Notice*

to Members 96-85, 1996 NASD LEXIS 107, at *3 (Dec. 1996) (noting that information reported on Rule 3070 reports “provides NASD Regulation with important regulatory information that assists with the timely identification of problem members, branch offices, and registered representatives to detect and investigate potential sales practice violations.”).

Mr. Wedbush’s 31-day suspension in all principal capacities and a \$50,000 fine serves the public interest by encouraging future compliance by Mr. Wedbush and others with the regulatory reporting rules.²¹ See *Strong*, 2008 SEC LEXIS 467, at *48 (“[W]e believe that the sanctions imposed by NASD serve the public interest by encouraging future compliance with the rules at issue here, by Strong and by others in the industry who have been given similar responsibilities.”). The sanctions are not punitive but in fact will deter Mr. Wedbush and similarly situated individuals from effectively abdicating their obligation to exercise reasonable supervision. See *Busacca*, 2010 SEC LEXIS 3787, at *67.

Applicants argue that the sanctions imposed against Mr. Wedbush were inappropriate given sanctions, or the lack thereof, imposed upon others in the industry. Applicants’ Br. at 18-19. It is well established, however, that “the appropriateness of the sanctions imposed depends on the facts and circumstances of the particular case and cannot be determined precisely by comparison with action taken in other cases.” *Dennis S. Kaminski*, Exchange Act Release No. 65347, 2011 SEC LEXIS 3225, at *41 (Sept. 16, 2011); see also *Christopher J. Benz*, 52 S.E.C.

²¹ Even if Applicants’ argument that no customers were directly harmed were true, it is not a mitigating factor. See *Dep’t of Enforcement v. Mizenko*, Complaint No. C8B030012, 2004 NASD Discip. LEXIS 20, at *20 (NASD NAC Dec. 21, 2004) (“[T]here is no authority for the proposition that the absence of harm to customers is mitigating.”), *aff’d*, 58 S.E.C. 846 (2005). Therefore, it is irrelevant that Enforcement did not make what would have been an essentially impossible showing that a specific customer “took any action based in whole or in part on an untimely regulatory filing.” Applicants’ Br. at 18 n.86.

1280, 1285 (1997), *aff'd*, 168 F.3d 478 (3d Cir. 1998) (table). Furthermore, “comparisons to sanctions in settled cases are inappropriate because pragmatic considerations justify the acceptance of lesser sanctions in negotiating a settlement such as the avoidance of time-and-manpower-consuming adversary proceedings.” *Kent M. Houston*, Exchange Act Release No. 71589, 2014 SEC LEXIS 614, at *33 (Feb. 20, 2014) (internal quotations omitted). Thus, the fact that a former Business Conduct Manager and CCO at Wedbush Securities only was issued a letter of caution for his failure to file 12 Forms RE-3 has no bearing on the appropriateness of the sanction assessed against Mr. Wedbush. Applicants’ Br. at 18; RP 6671-72. It likewise is not problematic that no individual was charged or sanctioned in the settlements raised by Applicants in which large broker-dealers paid hefty fines for an even larger number of reporting violations. Applicants’ Br. at 18-19. The record simply does not support a claim of bias. *See Epstein*, 2009 SEC LEXIS 217, at *62 (finding no evidence of Hearing Panel bias and holding that adverse rulings generally do not demonstrate improper bias).

3. The NAC Appropriately Sanctioned Wedbush Securities for Its Egregious Failure to Reasonably Supervise

Other than their unfounded assertion that the Firm was sanctioned based on its procedures as opposed to its implementation of them, Applicants make no substantive argument about the appropriateness of NAC’s imposition of a \$100,000 fine against Wedbush Securities for its failure to supervise. The sanction, like the others, is fully supported by the record and appropriately remedial.

As it did with respect with Mr. Wedbush, the NAC found it highly aggravating that Wedbush Securities continually failed to address regulatory reporting problems at the Firm despite Wedbush Securities’ senior management repeatedly being made aware of the issues by regulators. Decision at 28-29; RP 4025-34, 5305-06, 5399-5414, 5421-28, 5489, 5409, 5451-56,

5463-64, 5467-5507; Tr. 1599. The NAC likewise considered that Wedbush Securities' corrective actions were ineffective, inadequate, and unreasonable under the circumstances but regardless not mitigating because they occurred only after notification by regulators and commencement of the underlying investigation. Decision at 29; *See Gordon*, 2008 SEC LEXIS 819, at *68. The NAC properly found Wedbush Securities' extensive disciplinary history with respect to supervision failures presented a significant aggravating factor in its determination of sanctions.²² Decision at 29; *See Gregory O. Trautman*, Exchange Act Release No. 61167, 2009 SEC LEXIS 4173, at *79 n.85 (Dec. 15, 2009) (considering orders in both settled and litigated proceedings for sanctions purposes).

Considering these highly aggravating factors, the NAC correctly concluded that the misconduct of Wedbush Securities was egregious and warranted significant sanctions. Decision at 29-30. Although outside the range in the Guidelines, the NAC's sanction—a \$100,000 fine—was well within its authority to impose. *See Kevin Lee Otto*, 54 S.E.C. 847, 856 n.21 (2000), *aff'd*, 253 F.3d 960 (7th Cir. 2001) (finding sufficient aggravating factors warranted a fine exceeding the recommended range and a bar although not provided for in the Guidelines); *Guidelines*, at 3 (“Adjudicators may determine that egregious misconduct requires the imposition of sanctions above or otherwise outside of a recommended range.”). The sanction is appropriate, serves the public interest, and encourages future compliance by Wedbush Securities and others

²² Applicants do not dispute on appeal Wedbush Securities' extensive disciplinary history with respect to its supervisory failures. Regulators have fined Wedbush Securities approximately \$2 million in at least 16 separate actions involving supervision failures at the Firm over the past 10 years. *See Wedbush Securities, Inc. BrokerCheck Report*, available at <http://brokercheck/finra.org>, at 22, 32, 47, 50, 54, 59, 63, 77, 85, 88, 109, 113, 121, 123, 125, 126, 130, 134, 143 (last visited Apr. 24, 2015) (courtesy copy attached hereto as Exhibit A). The Commission may take official notice of the document. *See, e.g., John J. Bravata*, Initial Decisions Release No. 737, 2015 SEC LEXIS 196, at *8 n.4 (Jan. 16, 2015).

with the regulatory reporting rules. *See William J. Murphy*, Exchange Act Release No. 69923, 2013 SEC LEXIS 1933, at *112 & n.155 (July 2, 2013) (stating that “[b]ecause proper supervision serves such an important role in protecting investors, egregious violations of supervisory rules often warrant the most severe sanctions”); *Strong*, 2008 SEC LEXIS 467, at *48 (“[W]e believe that the sanctions imposed by NASD serve the public interest by encouraging future compliance with the rules at issue here, by Strong and by others in the industry who have been given similar responsibilities.”).

V. CONCLUSION

Both Wedbush Securities and Mr. Wedbush failed to promptly, decisively, and vigorously address numerous regulatory reporting problems at the Firm. These problems persisted for more than five and one-half years despite actual and repeated notice from regulators. By failing to reasonably supervise regulatory reporting at Wedbush Securities to ensure compliance with the applicable rules, the Firm and Mr. Wedbush demonstrated a troubling disregard of the regulatory reporting structure meant to protect the investing public. The evidence of Applicants’ misconduct is abundant and clear. The sanctions imposed by FINRA also are supported fully by the record and serve to remediate Wedbush Securities’ and Mr. Wedbush’s misconduct in accordance with the Guidelines. The Commission therefore should dismiss the application for review, sustain FINRA’s disciplinary action, and affirm the sanctions it imposed.

Respectfully submitted,



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Dated: April 27, 2015

CERTIFICATE OF COMPLIANCE

I, Megan Rauch, certify that this Brief of FINRA in Opposition to Application for Review (File No. 3-16329) complies with the length limitation set forth in SEC Rule of Practice 450(c). I have relied on the word count feature of Microsoft Word in verifying that this brief contains 12,734 words.



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Dated: April 27, 2015

CERTIFICATE OF SERVICE

I, Megan Rauch, certify that on this 27th day of April 2015, I caused a copy of the foregoing FINRA Opposition to Application for Review to be served by messenger on:

Brent J. Fields, Secretary
Securities and Exchange Commission
100 F St., NE
Washington, DC 20549-1090

and via Federal Express and electronic mail on:

John L. Erikson, Jr.
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Legal Department
1000 Wilshire Bld.
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Service was made on the Commission by messenger and Applicant by Federal Express and electronic mail due to the distance between the offices of FINRA and Applicant.



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3-16329

HARD COPY

EXHIBIT A

BrokerCheck Report

WEDBUSH SECURITIES INC.

CRD# 877

Report #98389-33085, data current as of Friday, April 24, 2015.

<u>Section Title</u>	<u>Page(s)</u>
Report Summary	1
Firm Profile	2 - 9
Firm History	10
Firm Operations	11 - 19
Disclosure Events	20

About BrokerCheck®

BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:

- information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
- information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <http://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at

brokercheck.finra.org



For additional information about the contents of this report, please refer to the User Guidance or www.finra.org/brokercheck. It provides a glossary of terms and a list of frequently asked questions, as well as additional resources.

[For more information about FINRA, visit www.finra.org.](http://www.finra.org)

Thank you for using FINRA BrokerCheck.



WEDBUSH SECURITIES INC.

CRD# 877

SEC# 8-12987

Main Office Location

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Regulated by FINRA Los Angeles Office

Mailing Address

P.O. BOX 30014
LOS ANGELES, CA 90030-0014

Business Telephone Number

(213) 688-8090

This firm is a brokerage firm and an investment adviser firm. For more information about investment adviser firms, visit the SEC's Investment Adviser Public Disclosure website at:

<http://www.adviserinfo.sec.gov>

Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

Firm Profile

This firm is classified as a corporation.

This firm was formed in California on 07/08/1966.

Its fiscal year ends in June.

Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

Firm Operations

This firm is registered with:

- the SEC
- 18 Self-Regulatory Organizations
- 51 U.S. states and territories

Is this brokerage firm currently suspended with any regulator? **No**

This firm conducts 18 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm does not have referral or financial arrangements with other brokers or dealers.

Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

The following types of disclosures have been reported:

Type	Count
Regulatory Event	80
Civil Event	1
Arbitration	57
Bond	1



Firm Profile

This firm is classified as a corporation.

This firm was formed in California on 07/08/1966.

Its fiscal year ends in June.

Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

WEDBUSH SECURITIES INC.

Doing business as WEDBUSH SECURITIES INC.

CRD# 877

SEC# 8-12987

Main Office Location

1000 WILSHIRE BLVD. SUITE 900
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Business Telephone Number

(213) 688-8090



Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

Direct Owners and Executive Officers

Legal Name & CRD# (if any): WEDBUSH, INC.

Is this a domestic or foreign entity or an individual? Domestic Entity

Position CORPORATE PARENT

Position Start Date 11/2004

Percentage of Ownership 75% or more

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): CHU, JOHN KEVIN

1759508

Is this a domestic or foreign entity or an individual? Individual

Position DIRECTOR

Position Start Date 05/2013

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): DAVID, DARRYL GEORGE

61443

Is this a domestic or foreign entity or an individual? Individual

Position SENIOR VICE PRESIDENT, DIVISION MANAGER, ROSFP

Position Start Date 08/2007

Firm Profile



Direct Owners and Executive Officers (continued)

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): HULTGREN, DONALD WAYNE
1475369

Is this a domestic or foreign entity or an individual? Individual

Position DIRECTOR

Position Start Date 05/2013

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): JABLONSKI, RICHARD MICHAEL
2916358

Is this a domestic or foreign entity or an individual? Individual

Position EXECUTIVE VICE PRESIDENT

Position Start Date 02/2014

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): KEAGY, SHAWN THOMAS



Firm Profile

Direct Owners and Executive Officers (continued)

4593479

Is this a domestic or foreign entity or an individual?

Individual

Position

CFO, EXECUTIVE VICE PRESIDENT

Position Start Date

02/2011

Percentage of Ownership

Less than 5%

Does this owner direct the management or policies of the firm?

Yes

Is this a public reporting company?

No

Legal Name & CRD# (if any):

LANGDON, HARRY L

1533278

Is this a domestic or foreign entity or an individual?

Individual

Position

DIRECTOR

Position Start Date

02/1999

Percentage of Ownership

Less than 5%

Does this owner direct the management or policies of the firm?

No

Is this a public reporting company?

No

Legal Name & CRD# (if any):

MOY, VINCENT JOHN

2469335

Is this a domestic or foreign entity or an individual?

Individual

Position

SENIOR VICE PRESIDENT, CO-CHIEF COMPLIANCE OFFICER, ROSFP

Position Start Date

07/2007

Percentage of Ownership

Less than 5%

Firm Profile



Direct Owners and Executive Officers (continued)

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): RICHARDS, R JAMES
3120249

Is this a domestic or foreign entity or an individual? Individual

Position EXECUTIVE VICE PRESIDENT

Position Start Date 12/2004

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): SCHAUERMAN, JOHN PATRICK
6395051

Is this a domestic or foreign entity or an individual? Individual

Position DIRECTOR

Position Start Date 08/2014

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): SEGALL, ERIC STUART
1071881



Firm Profile

Direct Owners and Executive Officers (continued)

Is this a domestic or foreign entity or an individual?	Individual
Position	SENIOR VICE PRESIDENT, CO-CHIEF COMPLIANCE OFFICER, ROSFP
Position Start Date	10/2007
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	WEDBUSH, EDWARD WILLIAM 0461221
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Is this a domestic or foreign entity or an individual?	Individual
Position	PRESIDENT & DIRECTOR
Position Start Date	07/1966
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	WEDBUSH, ERIC DEAN 5786473
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Is this a domestic or foreign entity or an individual?	Individual
Position	DIRECTOR
Position Start Date	04/2010
Percentage of Ownership	Less than 5%

Firm Profile**Direct Owners and Executive Officers (continued)**

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): WEDBUSH, GARY LANCE
2234455

Is this a domestic or foreign entity or an individual? Individual

Position EXECUTIVE VICE PRESIDENT

Position Start Date 11/2004

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): WILLIS, ROC WILLIAM
1110815

Is this a domestic or foreign entity or an individual? Individual

Position SENIOR VICE PRESIDENT

Position Start Date 11/2014

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No



Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.

Indirect Owners

Legal Name & CRD# (if any):	WEDBUSH, EDWARD WILLIAM 461221
Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	WEDBUSH INC.
Relationship to Direct Owner	SHAREHOLDER, DIRECTOR
Relationship Established	11/2004
Percentage of Ownership	50% but less than 75%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.





Firm Operations

Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

This firm is currently registered with the SEC, 18 SROs and 51 U.S. states and territories.

Federal Regulator	Status	Date Effective
SEC	Approved	10/20/1966

SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: Yes

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization	Status	Date Effective
FINRA	Approved	07/30/1955
BATS Y-Exchange, Inc.	Approved	09/01/2010
BATS Z-Exchange, Inc.	Approved	08/18/2008
BOX Options Exchange LLC	Approved	05/07/2012
C2 Options Exchange, Incorporated	Approved	03/08/2012
Chicago Board Options Exchange	Approved	08/13/2008
Chicago Stock Exchange	Approved	08/07/1990
EDGA Exchange, Inc.	Approved	05/27/2010
EDGX Exchange, Inc.	Approved	05/27/2010
ISE Gemini, LLC	Approved	07/29/2013
International Securities Exchange	Approved	06/26/2007
Miami International Stock Exchange (MIAX), LLC	Approved	12/07/2012
NASDAQ OMX BX, Inc.	Approved	01/12/2009
NASDAQ OMX PHLX, Inc.	Approved	06/13/2006
NASDAQ Stock Market	Approved	07/12/2006

NYSE Arca, Inc.

Approved

10/29/2004

NYSE MKT LLC

Approved

02/25/1988

New York Stock Exchange

Approved

11/17/1982

Firm Operations



Registrations (continued)

U.S. States & Territories	Status	Date Effective	U.S. States & Territories	Status	Date Effective
Alabama	Approved	01/28/1988	North Carolina	Approved	07/15/1982
Alaska	Approved	04/30/1971	North Dakota	Approved	05/02/2001
Arizona	Approved	05/22/1975	Ohio	Approved	08/06/1984
Arkansas	Approved	08/27/1997	Oklahoma	Approved	11/25/1986
California	Approved	03/01/1989	Oregon	Approved	10/24/1981
Colorado	Approved	02/01/1983	Pennsylvania	Approved	02/20/1987
Connecticut	Approved	12/01/1988	Puerto Rico	Approved	08/06/1998
Delaware	Approved	08/07/1987	Rhode Island	Approved	11/25/1987
District of Columbia	Approved	08/12/1987	South Carolina	Approved	02/12/1988
Florida	Approved	04/27/1983	South Dakota	Approved	06/17/1986
Georgia	Approved	07/11/1986	Texas	Approved	07/25/1983
Hawaii	Approved	01/08/1970	Utah	Approved	04/21/1983
Idaho	Approved	12/07/1987	Vermont	Approved	12/03/1987
Illinois	Approved	09/03/1982	Virginia	Approved	04/25/1984
Indiana	Approved	08/09/1985	Washington	Approved	04/20/1983
Iowa	Approved	07/15/1983	West Virginia	Approved	05/04/1987
Kansas	Approved	06/18/1987	Wisconsin	Approved	01/22/1980
Kentucky	Approved	01/28/1985	Wyoming	Approved	06/22/1982
Louisiana	Approved	03/25/1986			
Maine	Approved	05/18/1999			
Maryland	Approved	12/05/1983			
Massachusetts	Approved	10/09/1990			
Michigan	Approved	12/10/1985			
Minnesota	Approved	07/15/1982			
Mississippi	Approved	03/21/1989			
Missouri	Approved	08/23/1983			
Montana	Approved	07/10/1984			
Nebraska	Approved	03/07/1985			
Nevada	Approved	07/19/1983			
New Hampshire	Approved	12/20/1999			
New Jersey	Approved	07/19/1983			
New Mexico	Approved	02/05/1986			
New York	Approved	01/02/1985			



Firm Operations

Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

This firm currently conducts 18 types of businesses.

Types of Business

Exchange member engaged in exchange commission business other than floor activities

Exchange member engaged in floor activities

Broker or dealer making inter-dealer markets in corporation securities over-the-counter

Broker or dealer retailing corporate equity securities over-the-counter

Broker or dealer selling corporate debt securities

Underwriter or selling group participant (corporate securities other than mutual funds)

Mutual fund retailer

U S. government securities dealer

U S. government securities broker

Municipal securities dealer

Municipal securities broker

Broker or dealer selling variable life insurance or annuities

Broker or dealer selling oil and gas interests

Put and call broker or dealer or option writer

Investment advisory services

Trading securities for own account

Private placements of securities

Other - MUNICIPAL FINANCE; INVESTMENT BANKING

Other Types of Business

This firm does effect transactions in commodities, commodity futures, or commodity options.

This firm does not engage in other non-securities business.

Non-Securities Business Description:

Firm Operations



Clearing Arrangements

This firm does hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

Introducing Arrangements

This firm does not refer or introduce customers to other brokers and dealers.

Firm Operations

Industry Arrangements



This firm does not have books or records maintained by a third party.

This firm does not have accounts, funds, or securities maintained by a third party.

This firm does not have customer accounts, funds, or securities maintained by a third party.

Control Persons/Financing

This firm does not have individuals who control its management or policies through agreement.

This firm does not have individuals who wholly or partly finance the firm's business.



Firm Operations

Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

This firm is, directly or indirectly:

- in control of
- controlled by
- or under common control with

the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

VAN HULZEN ASSET MANAGEMENT is under common control with the firm.

CRD #:	116632
Business Address:	4370 TOWN CENTER DRIVE, SUITE 220 EL DORADO HILLS, CA 95762
Effective Date:	08/21/2014
Foreign Entity:	No
Country:	
Securities Activities:	No
Investment Advisory Activities:	Yes
Description:	WEDBUSH SECURITIES INC AND VAN HULZEN ASSET MANAGEMENT ARE BOTH SUBSIDIARIES OF WEDBUSH INC.

WEDBUSH ASSET MANAGEMENT, LLC is under common control with the firm.

CRD #:	161183
Business Address:	1000 WILSHIRE BLVD. SUITE 830 LOS ANGELES, CA 90017
Effective Date:	03/30/2012
Foreign Entity:	No
Country:	
Securities Activities:	No
Investment Advisory Activities:	Yes
Description:	WEDBUSH ASSET MANAGEMENT, LLC IS 100% OWNED BY WEDBUSH INC.

Firm Operations



Organization Affiliates (continued)

WEDBUSH EUROPE LTD. is under common control with the firm.

Business Address:	10 IRONMONGER LANE LONDON, UNITED KINGDOM EC2V 8EY
Effective Date:	06/16/2011
Foreign Entity:	Yes
Country:	UNITED KINGDOM
Securities Activities:	Yes
Investment Advisory Activities:	No
Description:	WEDBUSH EUROPE LTD. IS 100% OWNED BY WEDBUSH INC.

LIME BROKERAGE LLC is under common control with the firm.

CRD #:	104369
Business Address:	625 BROADWAY 12TH FLOOR NEW YORK, NY 10012
Effective Date:	06/10/2011
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	No
Description:	WEDBUSH SECURITIES INC AND LIME BROKERAGE LLC ARE WHOLLY OWNED SUBSIDIARIES OF WEDBUSH INC.

This firm is directly or indirectly, controlled by the following:

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank

WEDBUSH BANK is a Savings Association and controls the firm.

Firm Operations



Organization Affiliates (continued)

Business Address:	1000 WILSHIRE BLVD. SUITE 1150 LOS ANGELES, CA 90017
Effective Date:	02/09/2008
Description:	UNDER COMMON CONTROL WITH PARENT COMPANY, WEDBUSH, INC., A BANK HOLDING COMPANY.



Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	Pending	Final	On Appeal
Regulatory Event	4	75	1
Civil Event	0	1	0
Arbitration	N/A	57	N/A
Bond	N/A	1	N/A

Disclosure Event Details

What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
 - o A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
 - o Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
 - o A disclosure event may have a status of *pending*, *on appeal*, or *final*.
 - A "pending" event involves allegations that have not been proven or formally adjudicated.
 - An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
 - A "final" event has been concluded and its resolution is not subject to change.
 - o A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
 - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
 - A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
 - A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

Disclosure 1 of 75

Reporting Source: Regulator
Current Status: Final



Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO PROPERLY MARK SELL ORDERS AS LONG OR SHORT AND, AS A RESULT, ALSO FAILED TO REPORT THE TRANSACTIONS IN REPORTABLE SECURITIES TO THE FINRA TRADE REPORTING FACILITY WITH THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTIONS WERE LONG OR SHORT.

Initiated By: FINRA

Date Initiated: 04/08/2015

Docket/Case Number: [2013036214001](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/08/2015

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$17,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$17,500.

Disclosure 2 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT TRANSMITTED REPORTS TO THE ORDER AUDIT TRAIL SYSTEM (OATS) THAT CONTAINED INACCURATE, INCOMPLETE, OR IMPROPERLY

FORMATTED DATA. THE FINDINGS STATED THAT THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATIONS DISCLOSING TO ITS CUSTOMERS THAT TRANSACTIONS WERE EXECUTED AT AVERAGE PRICES, THAT TRANSACTION DETAILS WERE AVAILABLE UPON REQUEST, ITS CAPACITY IN THE TRANSACTIONS, AND/OR THAT IT CHARGED COMMISSIONS OR COMMISSION EQUIVALENTS. THE FIRM FAILED TO PREPARE ACCURATE BOOKS AND RECORDS. THE FIRM FAILED TO PROPERLY MARK PROPRIETARY SELL ORDERS AS LONG AND FAILED TO MARK SALE ORDERS AS SHORT AND AS A RESULT, THE FIRM FAILED TO REPORT THESE TRANSACTIONS TO VARIOUS EXCHANGES WITH THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTIONS WERE LONG OR SHORT. THE FIRM ALSO FAILED TO PROPERLY MARK SELL ORDERS AS LONG OR SHORT AND AS A RESULT, ALSO FAILED TO REPORT THE TRANSACTIONS TO VARIOUS EXCHANGES WITH THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTIONS WERE LONG OR SHORT. THE FIRM FAILED TO REPORT TRANSACTIONS IN TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)-ELIGIBLE SECURITIZED PRODUCTS TO TRACE WITHIN 15 MINUTES OF THE TIME OF EXECUTION. THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR FINRA RULES. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) FAILED TO PROVIDE FOR ONE OR MORE OF THE FOUR MINIMUM REQUIREMENTS FOR ADEQUATE WSPS REGARDING ACCURATELY IDENTIFY BUY, SHORT SALE, AND LONG SALE INFORMATION AND CLEARLY ERRONEOUS FILINGS, AND FAILED TO PROVIDE EVIDENCE OF SUPERVISORY REVIEW REGARDING ACCURACY OF BOOKS AND RECORDS. THE FINDINGS ALSO INCLUDED THAT THE FIRM ALLOWED A REGISTERED REPRESENTATIVE TO ENGAGE IN PROPRIETARY TRADING AND ROUTING CUSTOMERS' ORDERS FOR EXECUTION ON BEHALF OF THE FIRM WITHOUT BEING PROPERLY REGISTERED AS A GENERAL SECURITIES REPRESENTATIVE AND EQUITY TRADER.

Initiated By: FINRA
Date Initiated: 12/09/2014
Docket/Case Number: [2011026107603](#)
Principal Product Type: Other
Other Product Type(s): UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 12/09/2014
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Censure
 Monetary/Fine \$67,500.00
Other Sanctions Ordered: UNDERTAKING: REVISE THE FIRM'S WSPS
Sanction Details: THE FIRM WAS CENSURED, FINED \$67,500 AND UNDERTAKES TO REVISE ITS WSPS.

 FINE PAID IN FULL ON FEBRUARY 2, 2015.

Reporting Source: Firm
Current Status: Final
Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT TRANSMITTED REPORTS TO THE ORDER AUDIT TRAIL SYSTEM (OATS) THAT CONTAINED INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA. THE FINDINGS STATED THAT THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATIONS DISCLOSING TO ITS CUSTOMERS THAT TRANSACTIONS WERE EXECUTED AT AVERAGE PRICES, THAT TRANSACTION DETAILS WERE AVAILABLE UPON REQUEST, ITS CAPACITY IN THE TRANSACTIONS, AND/OR THAT IT CHARGED COMMISSIONS OR COMMISSION EQUIVALENTS. THE FIRM FAILED TO PREPARE ACCURATE BOOKS AND RECORDS. THE FIRM FAILED TO PROPERLY MARK PROPRIETARY SELL ORDERS AS LONG AND FAILED TO MARK SALE ORDERS AS SHORT AND AS A RESULT, THE FIRM FAILED TO REPORT THESE TRANSACTIONS TO VARIOUS EXCHANGES WITH THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTIONS WERE LONG OR SHORT. THE FIRM FAILED TO REPORT TRANSACTIONS IN TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)-ELIGIBLE SECURITIZED PRODUCTS TO TRACE WITHIN 15 MINUTES OF THE TIME OF EXECUTION. THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO



ACHIEVE COMPLIANCE WITH RESPECT TO CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR FINRA RULES. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) FAILED TO PROVIDE FOR ONE OR MORE OF THE FOUR MINIMUM REQUIREMENTS FOR ADEQUATE WSPS REGARDING ACCURATELY IDENTIFY BUY, SHORT SALE, AND LONG SALE INFORMATION AND CLEARLY ERRONEOUS FILINGS, AND FAILED TO PROVIDE EVIDENCE OF SUPERVISORY REVIEW REGARDING ACCURACY OF BOOKS AND RECORDS. THE FINDINGS ALSO INCLUDED THAT THE FIRM ALLOWED A REGISTERED REPRESENTATIVE TO ENGAGE IN PROPRIETARY TRADING AND ROUTING CUSTOMERS' ORDERS FOR EXECUTION ON BEHALF OF THE FIRM WITHOUT BEING PROPERLY REGISTERED AS A GENERAL SECURITIES REPRESENTATIVE AND EQUITY TRADER.

Initiated By: FINRA

Date Initiated: 12/09/2014

Docket/Case Number: [2011026107603](#)

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/09/2014

Sanctions Ordered: Censure
Monetary/Fine \$67,500.00

Other Sanctions Ordered: UNDERTAKING: REVISE THE FIRM'S WSP

Sanction Details: THE FIRM WAS CENSURED, FINED \$67,500 AND UNDERTAKES TO REVISE ITS WSPS.

Firm Statement THE FIRM WAS CENSURED, FINED \$67,500 AND UNDERTAKES TO REVISE ITS WSPS.

Disclosure 3 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: SEC ADMIN RELEASE 34-73506 / NOVEMBER 3, 2014: THE SECURITIES AND

EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 15(B), 15B(C)(2) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AGAINST WEDBUSH SECURITIES INC. ("WEDBUSH" OR "RESPONDENT"). IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT WHICH THE COMMISSION HAS DETERMINED TO ACCEPT, SOLELY FOR THE PURPOSE OF THESE PROCEEDINGS AND ANY OTHER PROCEEDINGS BROUGHT BY OR ON BEHALF OF THE COMMISSION, OR TO WHICH THE COMMISSION IS A PARTY, AND WITHOUT ADMITTING OR DENYING THE FINDINGS HEREIN, EXCEPT AS TO THE COMMISSION'S JURISDICTION OVER IT AND THE SUBJECT MATTER OF THESE PROCEEDINGS, WHICH ARE ADMITTED, RESPONDENT CONSENTS TO THE ENTRY OF THIS ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 15(B), 15B(C)(2) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER. ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT: THESE PROCEEDINGS INVOLVE THE SALE OF NON-INVESTMENT GRADE OR "JUNK" BONDS ISSUED BY THE COMMONWEALTH OF PUERTO RICO ("PUERTO RICO") BY WEDBUSH, A REGISTERED BROKER-DEALER AND MUNICIPAL SECURITIES DEALER, TO CUSTOMERS IN AMOUNTS BELOW THE MINIMUM DENOMINATION OF THE ISSUE. RULE G-15(F) PROMULGATED BY THE MUNICIPAL SECURITIES RULEMAKING BOARD ("MSRB") PROHIBITS DEALERS FROM EFFECTING CUSTOMER TRANSACTIONS IN MUNICIPAL SECURITIES IN AMOUNTS BELOW THE MINIMUM DENOMINATIONS OF THE ISSUES. MINIMUM DENOMINATIONS ARE GENERALLY INTENDED TO LIMIT SALES OF MUNICIPAL SECURITIES TO RETAIL CUSTOMERS FOR WHOM SUCH BONDS MAY NOT BE SUITABLE, BUT THE PROSCRIPTIONS OF RULE G-15(F) APPLY TO ALL TRANSACTIONS WITH CUSTOMERS, REGARDLESS OF WHETHER THE SECURITIES ARE SUITABLE FOR THE CUSTOMER. IN MARCH 2014, WEDBUSH VIOLATED MSRB RULE G-15(F) BY EXECUTING THREE SALES TRANSACTIONS IN THE PUERTO RICO BONDS WITH CUSTOMERS IN AMOUNTS BELOW THE \$100,000 MINIMUM DENOMINATION OF THE ISSUE ESTABLISHED BY THE ISSUER, PUERTO RICO, AND SPECIFIED IN THE OFFICIAL STATEMENT. THE LIMITED EXCEPTIONS PROVIDED UNDER MSRB RULE G-15(F) FOR CUSTOMER TRANSACTIONS IN MUNICIPAL SECURITIES BELOW THE MINIMUM DENOMINATION OF AN ISSUE DID NOT APPLY TO THESE TRANSACTIONS. RESPONDENT SOLICITED ALL OF THE CUSTOMER SALES TRANSACTIONS. AS A RESULT OF THE CONDUCT DESCRIBED ABOVE, RESPONDENT WILLFULLY VIOLATED MSRB RULE G-15(F). AS A RESULT OF RESPONDENT'S WILLFUL VIOLATIONS OF MSRB RULE G-15(F).



RESPONDENT WILLFULLY VIOLATED SECTION 15B(C)(1) OF THE EXCHANGE ACT.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 11/03/2014

Docket/Case Number: 3-16240

Principal Product Type: Other

Other Product Type(s): NON-INVESTMENT GRADE OR "JUNK" BONDS

Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 11/03/2014

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$67,200.00
Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details: ACCORDINGLY, IT IS HEREBY ORDERED THAT: RESPONDENT CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 15B(C)(1) OF THE EXCHANGE ACT AND MSRB RULE G-15(F) . RESPONDENT IS CENSURED. RESPONDENT SHALL, WITHIN SEVEN (7) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$67,200. RESPONDENT WILLFULLY VIOLATED MSRB RULE G-15(F). AS A RESULT OF RESPONDENT'S WILLFUL VIOLATIONS OF MSRB RULE G-15(F), RESPONDENT WILLFULLY VIOLATED SECTION 15B(C)(1) OF THE EXCHANGE ACT.

Regulator Statement IN DETERMINING TO ACCEPT THE OFFER, THE COMMISSION CONSIDERED REMEDIAL ACTS PROMPTLY UNDERTAKEN BY RESPONDENT. AFTER IT BECAME AWARE THAT IT HAD EFFECTED CUSTOMER TRANSACTIONS IN THE 2014 BONDS BELOW THE MINIMUM DENOMINATION OF THE ISSUE, RESPONDENT CANCELLED THE TRANSACTIONS. RESPONDENT WILL UNDERTAKE TO REVIEW THE ADEQUACY OF ITS EXISTING POLICIES AND

PROCEDURES RELATING TO COMPLIANCE WITH MSRB RULE G-15(F). AFTER THAT REVIEW, RESPONDENT WILL MAKE SUCH CHANGES AS ARE NECESSARY TO EFFECT COMPLIANCE WITH MSRB RULE G-15(F), INCLUDING ADOPTING NEW POLICIES AND PROCEDURES OR SUPPLEMENTING EXISTING POLICIES AND PROCEDURES. RESPONDENT WILL IMPLEMENT THESE POLICIES AND PROCEDURES, AND CONDUCT TRAINING AS TO THE POLICIES AND PROCEDURES AND COMPLIANCE WITH MSRB RULE G-15(F). RESPONDENT WILL INFORM COMMISSION STAFF NO LATER THAN SIX (6) MONTHS AFTER THE ENTRY OF THIS ORDER THAT IT HAS COMPLIED WITH THE ABOVE UNDERTAKINGS.

Reporting Source: Firm

Current Status: Final

Allegations: SEC ADMIN RELEASE 34-73506 / NOVEMBER 3, 2014: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 15(B), 15B(C)(2) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AGAINST WEDBUSH SECURITIES INC. ("WEDBUSH" OR "RESPONDENT"). IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. SOLELY FOR THE PURPOSE OF THESE PROCEEDINGS AND ANY OTHER PROCEEDINGS BROUGHT BY OR ON BEHALF OF THE COMMISSION, OR TO WHICH THE COMMISSION IS A PARTY, AND WITHOUT ADMITTING OR DENYING THE FINDINGS HEREIN, EXCEPT AS TO THE COMMISSION'S JURISDICTION OVER IT AND THE SUBJECT MATTER OF THESE PROCEEDINGS, WHICH ARE ADMITTED, RESPONDENT CONSENTS TO THE ENTRY OF THIS ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 15(B), 15B(C)(2) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934. MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER. ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT: THESE PROCEEDINGS INVOLVE THE SALE OF NON-INVESTMENT GRADE OR "JUNK" BONDS ISSUED BY THE COMMONWEALTH OF PUERTO RICO ("PUERTO RICO") BY WEDBUSH, A REGISTERED BROKER-DEALER AND MUNICIPAL SECURITIES DEALER, TO CUSTOMERS IN AMOUNTS BELOW THE MINIMUM DENOMINATION OF THE ISSUE. RULE G-15(F) PROMULGATED BY THE MUNICIPAL SECURITIES RULEMAKING BOARD ("MSRB") PROHIBITS DEALERS FROM EFFECTING CUSTOMER TRANSACTIONS IN MUNICIPAL SECURITIES IN AMOUNTS BELOW THE MINIMUM DENOMINATIONS OF THE ISSUES. MINIMUM DENOMINATIONS



ARE GENERALLY INTENDED TO LIMIT SALES OF MUNICIPAL SECURITIES TO RETAIL CUSTOMERS FOR WHOM SUCH BONDS MAY NOT BE SUITABLE, BUT THE PROSCRIPTIONS OF RULE G-15(F) APPLY TO ALL TRANSACTIONS WITH CUSTOMERS, REGARDLESS OF WHETHER THE SECURITIES ARE SUITABLE FOR THE CUSTOMER. IN MARCH 2014, WEDBUSH VIOLATED MSRB RULE G-15(F) BY EXECUTING THREE SALES TRANSACTIONS IN THE PUERTO RICO BONDS WITH CUSTOMERS IN AMOUNTS BELOW THE \$100,000 MINIMUM DENOMINATION OF THE ISSUE ESTABLISHED BY THE ISSUER, PUERTO RICO, AND SPECIFIED IN THE OFFICIAL STATEMENT. THE LIMITED EXCEPTIONS PROVIDED UNDER MSRB RULE G-15(F) FOR CUSTOMER TRANSACTIONS IN MUNICIPAL SECURITIES BELOW THE MINIMUM DENOMINATION OF AN ISSUE DID NOT APPLY TO THESE TRANSACTIONS. RESPONDENT SOLICITED ALL OF THE CUSTOMER SALES TRANSACTIONS. AS A RESULT OF THE CONDUCT DESCRIBED ABOVE, RESPONDENT WILLFULLY VIOLATED MSRB RULE G-15(F). AS A RESULT OF RESPONDENT'S WILLFUL VIOLATIONS OF MSRB RULE G-15(F), RESPONDENT WILLFULLY VIOLATED SECTION 15B(C)(1) OF THE EXCHANGE ACT.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 11/02/2014

Docket/Case Number: 3-16240

Principal Product Type: Other

Other Product Type(s): NON-INVESTMENT GRADE OR "JUNK" BONDS

Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 11/03/2014

Sanctions Ordered: Censure
Monetary/Fine \$67,200.00
Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details: ACCORDINGLY, IT IS HEREBY ORDERED THAT: RESPONDENT CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 15B(C)(1) OF THE EXCHANGE ACT AND MSRB RULE G-15(F) . RESPONDENT IS CENSURED. RESPONDENT SHALL, WITHIN SEVEN (7) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL



MONEY PENALTY IN THE AMOUNT OF \$67,200. RESPONDENT WILLFULLY VIOLATED MSRB RULE G-15(F). AS A RESULT OF RESPONDENT'S WILLFUL VIOLATIONS OF MSRB RULE G-15(F), RESPONDENT WILLFULLY VIOLATED SECTION 15B(C)(1) OF THE EXCHANGE ACT.

Firm Statement

IN DETERMINING TO ACCEPT THE OFFER, THE COMMISSION CONSIDERED REMEDIAL ACTS PROMPTLY UNDERTAKEN BY RESPONDENT. AFTER IT BECAME AWARE THAT IT HAD EFFECTED CUSTOMER TRANSACTIONS IN THE 2014 BONDS BELOW THE MINIMUM DENOMINATION OF THE ISSUE, RESPONDENT CANCELLED THE TRANSACTIONS. RESPONDENT WILL UNDERTAKE TO REVIEW THE ADEQUACY OF ITS EXISTING POLICIES AND PROCEDURES RELATING TO COMPLIANCE WITH MSRB RULE G-15(F). AFTER THAT REVIEW, RESPONDENT WILL MAKE SUCH CHANGES AS ARE NECESSARY TO EFFECT COMPLIANCE WITH MSRB RULE G-15(F), INCLUDING ADOPTING NEW POLICIES AND PROCEDURES OR SUPPLEMENTING EXISTING POLICIES AND PROCEDURES. RESPONDENT WILL IMPLEMENT THESE POLICIES AND PROCEDURES, AND CONDUCT TRAINING AS TO THE POLICIES AND PROCEDURES AND COMPLIANCE WITH MSRB RULE G-15(F). RESPONDENT WILL INFORM COMMISSION STAFF NO LATER THAN SIX (6) MONTHS AFTER THE ENTRY OF THIS ORDER THAT IT HAS COMPLIED WITH THE ABOVE UNDERTAKINGS.

Disclosure 4 of 75

Reporting Source:

Regulator

Current Status:

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IN 16 INSTANCES, THE FIRM HAD A FAIL-TO-DELIVER POSITION AT A REGISTERED CLEARING AGENCY IN AN EQUITY SECURITY THAT RESULTED FROM SALES OF A SECURITY THAT THE SELLER WAS DEEMED TO OWN PURSUANT TO §242.200 OF REGULATION SHO AND INTENDED TO DELIVER ONCE ALL RESTRICTIONS ON DELIVERY HAD BEEN REMOVED, AND DID NOT CLOSE THE FAIL-TO-DELIVER POSITION BY PURCHASING OR BORROWING SECURITIES OF LIKE KIND AND QUANTITY WITHIN THE TIMEFRAME PRESCRIBED BY RULE 204(A)(2) OF REGULATION SHO.

Initiated By:

FINRA

Date Initiated:

10/22/2014

Docket/Case Number:

[2010021544001](#)

Principal Product Type:

Other

Other Product Type(s):

UNSPECIFIED EQUITY SECURITIES



Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/22/2014

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$20,000. FINE PAID IN FULL ON DECEMBER 29, 2014.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IN 16 INSTANCES, THE FIRM HAD A FAIL-TO-DELIVER POSITION AT A REGISTERED CLEARING AGENCY IN AN EQUITY SECURITY THAT RESULTED FROM SALES OF A SECURITY THAT THE SELLER WAS DEEMED TO OWN PURSUANT TO §242.200 OF REGULATION SHO AND INTENDED TO DELIVER ONCE ALL RESTRICTIONS ON DELIVERY HAD BEEN REMOVED, AND DID NOT CLOSE THE FAIL-TO-DELIVER POSITION BY PURCHASING OR BORROWING SECURITIES OF LIKE KIND AND QUANTITY WITHIN THE TIMEFRAME PRESCRIBED BY RULE 204(A)(2) OF REGULATION SHO.

Initiated By: FINRA

Date Initiated: 10/22/2014

Docket/Case Number: [2010021544001](#)

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):



Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/22/2014

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$20,000.

Firm Statement THE FIRM WAS CENSURED AND FINED \$20,000 ON 10/22/2014

Disclosure 5 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: SEC ADMIN RELEASE 34-72340, IA RELEASE 40-3845 / JUNE 6, 2014: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AND SECTION 203(E) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT") AGAINST WEDBUSH SECURITIES INC. ("WEDBUSH" OR "THE FIRM"), AND OTHERS (COLLECTIVELY "RESPONDENTS"). AFTER AN INVESTIGATION, THE DIVISION OF ENFORCEMENT ALLEGES THAT: THESE PROCEEDINGS INVOLVE THE MARKET ACCESS BUSINESS OF WEDBUSH. FROM JULY 2011 UNTIL AT LEAST JANUARY 2013 (THE "RELEVANT PERIOD"), WEDBUSH SERVED AS THE GATEWAY TO U.S. MARKETS FOR DOZENS OF TRADING FIRMS, INCLUDING FOREIGN, DOMESTIC, REGISTERED, AND UNREGISTERED FIRMS, AS WELL AS THOUSANDS OF THEIR TRADERS. MOST OF THESE FIRMS AND THEIR TRADERS ENGAGED IN TRADING ACTIVITY THAT DID NOT FLOW THROUGH ANY WEDBUSH SYSTEMS BEFORE REACHING EXCHANGES AND OTHER TRADING VENUES IN THE U.S. DURING THE RELEVANT PERIOD, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5 THEREUNDER BECAUSE IT DID NOT MAINTAIN EXCLUSIVE CONTROL OVER RISK MANAGEMENT CONTROLS IN SPONSORED ACCESS TRADING PLATFORMS; DID NOT HAVE A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES THAT WAS REASONABLY DESIGNED TO



ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS, INCLUDING THOSE THAT MUST BE SATISFIED ON A PRE-ORDER ENTRY BASIS; DID NOT HAVE CONTROLS AND PROCEDURES REASONABLY DESIGNED TO RESTRICT ACCESS TO MARKET ACCESS TRADING SYSTEMS TO PERSONS AND ACCOUNTS PRE-APPROVED AND AUTHORIZED BY THE FIRM; DID NOT ESTABLISH, DOCUMENT, AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE EFFECTIVENESS OF ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES RELATING TO MARKET ACCESS; AND DID NOT CONDUCT AN ADEQUATE REVIEW OF ITS MARKET ACCESS CONTROLS AND PROCEDURES. THE FIRM WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-8 THEREUNDER BECAUSE IT FAILED TO FILE REPORTS OF SUSPICIOUS TRADING ACTIVITY IN CONNECTION WITH IS MARKET ACCESS BUSINESS. THE FIRM WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4) THEREUNDER BECAUSE IT FAILED TO PRESERVE ORIGINALS OR COPIES OF COMMUNICATIONS CONTAINING TRADING INSTRUCTIONS RELATING TO ISOS SUBMITTED BY ITS CUSTOMERS UNDER A FIRM MPID THROUGH THIRD-PARTY TRADING PLATFORMS. THE FIRM WILLFULLY VIOLATED RULE 203(B)(1) OF REGULATION SHO BECAUSE IT ALLOWED SPONSORED ACCESS CUSTOMERS TO SUBMIT SHORT-SALE ORDERS FOR SECURITIES THAT WERE NOT EASY TO BORROW WITHOUT FIRST OTHERWISE LOCATING SHARES TO BORROW. THE FIRM WILLFULLY VIOLATED RULE 611(C) OF REGULATION NMS BECAUSE IT ALLOWED SPONSORED ACCESS CUSTOMERS TO SUBMIT ISOS WITHOUT THE FIRM TAKING REASONABLE STEPS TO ENSURE THAT IT SATISFIED THE REQUIREMENTS FOR SENDING ISOS.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated: 06/06/2014
Docket/Case Number: 3-15913
Principal Product Type: Other
Other Product Type(s): UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought: Cease and Desist
Other Sanction(s)/Relief Sought:
Resolution: Order
Resolution Date: 11/20/2014



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$2,447,043.38 Cease and Desist/Injunction
Other Sanctions Ordered:	UNDERTAKINGS
Sanction Details:	IT IS HEREBY ORDERED THAT: RESPONDENT WEDBUSH CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS, IS CENSURED AND SHALL, WITHIN TEN (10) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$2,447,043.38 TO THE SECURITIES AND EXCHANGE COMMISSION. RESPONDENT WEDBUSH SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT. IN CONNECTION WITH THE CONDUCT DESCRIBED, WEDBUSH ACTED WILLFULLY.
Regulator Statement	<p>IT IS FURTHER ORDERED THAT THE ADMINISTRATIVE LAW JUDGE SHALL ISSUE AN INITIAL DECISION NO LATER THAN 300 DAYS FROM THE DATE OF SERVICE OF THIS ORDER.</p> <p>SEC ADMIN RELEASE 34-73652, IA RELEASE 40-3971 / NOVEMBER 20, 2014: RESPONDENT WEDBUSH HAS SUBMITTED AN OFFER OF SETTLEMENT THAT THE COMMISSION HAS DETERMINED TO ACCEPT. RESPONDENT ADMITS THE FACTS AND ACKNOWLEDGES THAT ITS CONDUCT VIOLATED THE FEDERAL SECURITIES LAWS, ADMITS THE COMMISSION'S JURISDICTION OVER IT AND THE SUBJECT MATTER OF THESE PROCEEDINGS, AND CONSENTS TO THE ENTRY OF THIS ORDER MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(E) OF THE INVESTMENT ADVISERS ACT OF 1940 AS TO WEDBUSH SECURITIES INC. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN RESPONDENT WEDBUSH'S OFFER. ACCORDINGLY, PURSUANT TO SECTIONS 15(B) AND 21C OF THE EXCHANGE ACT AND SECTION 203(E) OF THE ADVISERS ACT, IT IS HEREBY ORDERED THAT: RESPONDENT WEDBUSH CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(3) AND 17(A) OF THE EXCHANGE ACT; RULES 15C3-5, 17A-4, AND 17A-8 THEREUNDER; RULE 203(B)(1) OF REGULATION SHO; AND RULE 611(C) OF</p>



REGULATION NMS. RESPONDENT WEDBUSH IS CENSURED. RESPONDENT WEDBUSH SHALL, WITHIN TEN (10) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$2,447,043.38 TO THE SECURITIES AND EXCHANGE COMMISSION. RESPONDENT WEDBUSH SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.

Reporting Source:	Firm
Current Status:	Final
Allegations:	<p>THE SEC ALLEGES THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5 THEREUNDER BECAUSE IT DID NOT MAINTAIN EXCLUSIVE CONTROL OVER RISK MANAGEMENT CONTROLS IN SPONSORED ACCESS TRADING PLATFORMS; DID NOT HAVE A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES THAT WAS REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS, INCLUDING THOSE THAT MUST BE SATISFIED ON A PRE-ORDER ENTRY BASIS; DID NOT HAVE CONTROLS AND PROCEDURES REASONABLY DESIGNED TO RESTRICT ACCESS TO MARKET ACCESS TRADING SYSTEMS TO PERSONS AND ACCOUNTS PRE-APPROVED AND AUTHORIZED BY THE FIRM; DID NOT ESTABLISH, DOCUMENT, AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE EFFECTIVENESS OF ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES RELATING TO MARKET ACCESS; AND DID NOT CONDUCT AN ADEQUATE REVIEW OF ITS MARKET ACCESS CONTROLS AND PROCEDURES. THE FIRM WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-8 THEREUNDER BECAUSE IT FAILED TO FILE REPORTS OF SUSPICIOUS TRADING ACTIVITY IN CONNECTION WITH IS MARKET ACCESS BUSINESS. THE FIRM WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4) THEREUNDER BECAUSE IT FAILED TO PRESERVE ORIGINALS OR COPIES OF COMMUNICATIONS CONTAINING TRADING INSTRUCTIONS RELATING TO ISOS SUBMITTED BY ITS CUSTOMERS UNDER A FIRM MPID THROUGH THIRD-PARTY TRADING PLATFORMS. THE FIRM WILLFULLY VIOLATED RULE 203(B)(1) OF REGULATION SHO BECAUSE IT ALLOWED SPONSORED ACCESS CUSTOMERS TO SUBMIT SHORT-SALE ORDERS FOR SECURITIES THAT WERE NOT EASY TO BORROW WITHOUT FIRST OTHERWISE LOCATING SHARES TO BORROW. THE FIRM WILLFULLY VIOLATED RULE 611(C) OF REGULATION NMS BECAUSE IT ALLOWED SPONSORED ACCESS CUSTOMERS TO SUBMIT ISOS WITHOUT THE FIRM TAKING REASONABLE STEPS TO ENSURE THAT IT SATISFIED THE REQUIREMENTS FOR SENDING ISOS.</p>
Initiated By:	SECURITIES AND EXCHANGE COMMISSION



Date Initiated: 06/06/2014
Docket/Case Number: 3-15913
Principal Product Type: Other
Other Product Type(s): UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought: Cease and Desist
Other Sanction(s)/Relief Sought:
Resolution: Order
Resolution Date: 11/20/2014
Sanctions Ordered: Censure
 Monetary/Fine \$2,447,043.38
 Cease and Desist/Injunction
Other Sanctions Ordered: UNDERTAKINGS
Sanction Details: ORDERED THAT: RESPONDENT WEDBUSH CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS, IS CENSURED AND SHALL, WITHIN TEN (10) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$2,447,043.38 TO THE SECURITIES AND EXCHANGE COMMISSION. RESPONDENT WEDBUSH SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT. IN CONNECTION WITH THE CONDUCT DESCRIBED, WEDBUSH ACTED WILLFULLY.
Firm Statement IT IS FURTHER ORDERED THAT THE ADMINISTRATIVE LAW JUDGE SHALL ISSUE AN INITIAL DECISION NO LATER THAN 300 DAYS FROM THE DATE OF SERVICE OF THIS ORDER. SEC ADMIN RELEASE 34-73652, IA RELEASE 40-3971 / NOVEMBER 20, 2014: RESPONDENT WEDBUSH HAS SUBMITTED AN OFFER OF SETTLEMENT THAT THE COMMISSION HAS DETERMINED TO ACCEPT. RESPONDENT ADMITS THE FACTS AND ACKNOWLEDGES THAT ITS CONDUCT VIOLATED THE FEDERAL SECURITIES LAWS, ADMITS THE COMMISSION'S JURISDICTION OVER IT AND THE SUBJECT MATTER OF THESE PROCEEDINGS, AND CONSENTS TO THE ENTRY OF THIS ORDER MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(E) OF THE INVESTMENT ADVISERS ACT OF 1940 AS TO WEDBUSH SECURITIES INC. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN RESPONDENT WEDBUSH'S OFFER. ACCORDINGLY, PURSUANT TO SECTIONS 15(B) AND 21C OF THE EXCHANGE ACT AND SECTION 203(E) OF

THE ADVISERS ACT, IT IS HEREBY ORDERED THAT: RESPONDENT WEDBUSH CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(3) AND 17(A) OF THE EXCHANGE ACT; RULES 15C3-5, 17A-4, AND 17A-8 THEREUNDER; RULE 203(B)(1) OF REGULATION SHO; AND RULE 611(C) OF REGULATION NMS. RESPONDENT WEDBUSH IS CENSURED. RESPONDENT WEDBUSH SHALL, WITHIN TEN (10) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$2,447,043.38 TO THE SECURITIES AND EXCHANGE COMMISSION. RESPONDENT WEDBUSH SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.

Disclosure 6 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ENTERED ORDERS INTO THE NASDAQ MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE A BUY, SHORT SALE OR LONG SALE. AS A RESULT, THE FIRM VIOLATED NASDAQ RULE 4755.

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 05/15/2014

Docket/Case Number: 2011026107601

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/15/2014



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

No

Sanctions Ordered:

Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details:

SEE ABOVE

Reporting Source:

Firm

Current Status:

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ENTERED ORDERS INTO THE NASDAQ MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE A BUY, SHORT SALE OR LONG SALE. AS A RESULT, THE FIRM VIOLATED NASDAQ RULE 4755.

Initiated By:

NASDAQ STOCK MARKET

Date Initiated:

05/15/2014

Docket/Case Number:

2011026107601

Principal Product Type:

No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution:

Acceptance, Waiver & Consent(AWC)

Resolution Date:

05/15/2014

Sanctions Ordered:

Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ENTERED



ORDERS INTO THE NASDAQ MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE A BUY, SHORT SALE OR LONG SALE. AS A RESULT, THE FIRM VIOLATED NASDAQ RULE 4755.

Firm Statement

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ENTERED ORDERS INTO THE NASDAQ MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE A BUY, SHORT SALE OR LONG SALE. AS A RESULT, THE FIRM VIOLATED NASDAQ RULE 4755.

Disclosure 7 of 75

Reporting Source:

Regulator

Current Status:

Final

Allegations:

WEDBUSH SECURITIES INC. ("WEDBUSH"), A CBOE STOCK EXCHANGE, LLC ("CBSX") TPH ORGANIZATION, WAS CENSURED AND FINED \$5,000 FOR THE FOLLOWING CONDUCT. WEDBUSH FAILED TO ESTABLISH AND MAINTAIN A UNIQUE LOGON ID BY OR BEFORE JANUARY 2, 2012 AND, AS A RESULT, IMPROPERLY CAUSED NUMEROUS ORDERS TO BE EXECUTED THROUGH A LOGON ID THAT WAS NOT UNIQUE, AS REQUIRED BY CBSX REGULATORY CIRCULAR 11-151. (EXCHANGE RULE 4.1 - JUST AND EQUITABLE PRINCIPLES OF TRADE)

Initiated By:

CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated:

12/11/2013

Docket/Case Number:

13-0073

Principal Product Type:

Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution:

Decision & Order of Offer of Settlement

Resolution Date:

02/27/2014

Sanctions Ordered:

Censure
Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: A \$5,000 FINE AND A CENSURE.

Reporting Source: Firm

Current Status: Final

Allegations: WEDBUSH SECURITIES INC. ("WEDBUSH"), A CBOE STOCK EXCHANGE, LLC ("CBSX") TPH ORGANIZATION, WAS CENSURED AND FINED \$5,000 FOR THE FOLLOWING CONDUCT. WEDBUSH FAILED TO ESTABLISH AND MAINTAIN A UNIQUE LOGON ID BY OR BEFORE JANUARY 2, 2012 AND, AS A RESULT, IMPROPERLY CAUSED NUMEROUS ORDERS TO BE EXECUTED THROUGH A LOGON ID THAT WAS NOT UNIQUE, AS REQUIRED BY CBSX REGULATORY CIRCULAR 11-151. (EXCHANGE RULE 4.1 - JUST AND EQUITABLE PRINCIPLES OF TRADE)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 12/11/2013

Docket/Case Number: 13-0073

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 03/11/2014

Sanctions Ordered: Censure
Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: A \$5,000 FINE AND A CENSURE.

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Reporting Source: Regulator

Current Status: Final

Allegations: NYSE RULES 123C, 132(A), 342(A) AND (B), 2010, WEDBUSH SECURITIES INC. FAILED TO COMPLY WITH REQUIREMENTS GOVERNING THE



CANCELLATION OF MARKET-ON-CLOSE (MOC), LIMIT- ON-CLOSE (LOC) AND CLOSING OFFSET (CO) ORDERS ON THE NYSE, IN THAT VARIOUS DIRECT MARKET ACCESS AND SPONSORED ACCESS (MARKET ACCESS) CUSTOMERS TO WHICH THE FIRM PROVIDED ACCESS TO TRADE DIRECTLY ON THE NYSE VIA A FIRM MNEMONIC HAD CANCELLED ORDERS ON THE NYSE BETWEEN 3:45 P.M. AND 3:58 P.M. THAT WERE NOT THE RESULT OF LEGITIMATE ORDER ERRORS. FIRM MARKET ACCESS CUSTOMER TRADING VIA A FIRM MNEMONIC TESTED THE CONNECTIVITY OF ITS ELECTRONIC SYSTEMS TO THE NYSE'S SYSTEMS IN A MANNER INCONSISTENT WITH ESTABLISHED PROCEDURES BY ENTERING AND SENDING TO THE NYSE LOC ORDERS AND CANCELLATIONS, OVER DIFFERENT TRADE DATES TO PURCHASE TWO STOCKS AT A LIMIT PRICE OF \$.01, WHEN THE STOCKS HAD TRADED AT \$15 AND \$40, RESPECTIVELY; SUCH ORDERS WERE ENTERED IN THE GUISE OF ACTUAL ORDERS WITHOUT DENOTING EACH MESSAGE AS A TEST ORDER OR CANCELLATION. BY PERMITTING ITS MARKET ACCESS CUSTOMER TO TEST ITS ELECTRONIC ORDER ROUTING SYSTEMS' CONNECTIVITY TO THE NYSE'S SYSTEMS IN A MANNER INCONSISTENT WITH ESTABLISHED NYSE PROCEDURES, THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE IN THE CONDUCT OF ITS BUSINESS. THE FIRM HAD NO WRITTEN SUPERVISORY PROCEDURES OR SYSTEMS, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 123C WITH RESPECT TO MOC, LOC AND CO ORDERS ENTERED AND CANCELLED BY FIRM MARKET ACCESS CUSTOMERS. THE FIRM, THROUGH TWO MARKET ACCESS CUSTOMERS WHICH WERE NON-MEMBER ORGANIZATIONS UNAFFILIATED WITH THE FIRM, SUBMITTED FOR COMPARISON OR SETTLEMENT NUMEROUS TRANSACTIONS VIA A FIRM MNEMONIC THAT WERE ERRONEOUSLY MARKED WITH A "P" ACCOUNT TYPE INDICATOR CODE, WHEN SUCH ORDERS SHOULD HAVE BEEN MARKED WITH AN "A" ACCOUNT TYPE INDICATOR CODE. THE FIRM HAD NO WRITTEN SUPERVISORY PROCEDURES OR SYSTEMS, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 132 WITH RESPECT TO ACCOUNT TYPE INDICATOR CODES ON ORDERS ENTERED ON THE NYSE BY FIRM MARKET ACCESS CUSTOMERS.

Initiated By: NEW YORK STOCK EXCHANGE
Date Initiated: 12/19/2013
Docket/Case Number: 2012032742901
Principal Product Type: Equity Listed (Common & Preferred Stock)

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 12/19/2013**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No**Sanctions Ordered:** Censure
Monetary/Fine \$95,000.00**Other Sanctions Ordered:** UNDERTAKING**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$95,000 AND REQUIRED TO REVISE ITS SUPERVISORY SYSTEMS REGARDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 123C WITH RESPECT TO MOC,LOC AND CO ORDERS ENTERED AND CANCELLED BY FIRM MARKET ACCESS CUSTOMERS AND A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 132 WITH RESPECT TO ACCOUNT TYPE INDICATOR CODES ON ORDERS ENTERED ON THE NYSE BY FIRM MARKET ACCESS CUSTOMERS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY FINRA'S OFFICE OF DISCIPLINARY AFFAIRS.**Reporting Source:** Firm**Current Status:** Final**Allegations:** NYSE RULES 123C, 132(A), 342(A) AND (B), 2010, WEDBUSH SECURITIES INC. FAILED TO COMPLY WITH REQUIREMENTS GOVERNING THE CANCELLATION OF MARKET-ON-CLOSE (MOC), LIMIT- ON-CLOSE (LOC) AND CLOSING OFFSET (CO) ORDERS ON THE NYSE, IN THAT VARIOUS DIRECT MARKET ACCESS AND SPONSORED ACCESS (MARKET ACCESS) CUSTOMERS TO WHICH THE FIRM PROVIDED ACCESS TO TRADE DIRECTLY ON THE NYSE VIA A FIRM MNEMONIC HAD CANCELLED ORDERS



ON THE NYSE BETWEEN 3:45 P.M. AND 3:58 P.M. THAT WERE NOT THE RESULT OF LEGITIMATE ORDER ERRORS. FIRM MARKET ACCESS CUSTOMER TRADING VIA A FIRM MNEMONIC TESTED THE CONNECTIVITY OF ITS ELECTRONIC SYSTEMS TO THE NYSE'S SYSTEMS IN A MANNER INCONSISTENT WITH ESTABLISHED PROCEDURES BY ENTERING AND SENDING TO THE NYSE LOC ORDERS AND CANCELLATIONS, OVER DIFFERENT TRADE DATES TO PURCHASE TWO STOCKS AT A LIMIT PRICE OF \$.01, WHEN THE STOCKS HAD TRADED AT \$15 AND \$40, RESPECTIVELY; SUCH ORDERS WERE ENTERED IN THE GUISE OF ACTUAL ORDERS WITHOUT DENOTING EACH MESSAGE AS A TEST ORDER OR CANCELLATION. BY PERMITTING ITS MARKET ACCESS CUSTOMER TO TEST ITS ELECTRONIC ORDER ROUTING SYSTEMS' CONNECTIVITY TO THE NYSE'S SYSTEMS IN A MANNER INCONSISTENT WITH ESTABLISHED NYSE PROCEDURES, THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE IN THE CONDUCT OF ITS BUSINESS. THE FIRM HAD NO WRITTEN SUPERVISORY PROCEDURES OR SYSTEMS, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 123C WITH RESPECT TO MOC, LOC AND CO ORDERS ENTERED AND CANCELLED BY FIRM MARKET ACCESS CUSTOMERS. THE FIRM, THROUGH TWO MARKET ACCESS CUSTOMERS WHICH WERE NON-MEMBER ORGANIZATIONS UNAFFILIATED WITH THE FIRM, SUBMITTED FOR COMPARISON OR SETTLEMENT NUMEROUS TRANSACTIONS VIA A FIRM MNEMONIC THAT WERE ERRONEOUSLY MARKED WITH A "P" ACCOUNT TYPE INDICATOR CODE, WHEN SUCH ORDERS SHOULD HAVE BEEN MARKED WITH AN "A" ACCOUNT TYPE INDICATOR CODE. THE FIRM HAD NO WRITTEN SUPERVISORY PROCEDURES OR SYSTEMS, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 132 WITH RESPECT TO ACCOUNT TYPE INDICATOR CODES ON ORDERS ENTERED ON THE NYSE BY FIRM MARKET ACCESS CUSTOMERS.

Initiated By: FINRA
Date Initiated: 12/19/2013
Docket/Case Number: 2012032742901
Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:



Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	12/19/2013
Sanctions Ordered:	Censure Monetary/Fine \$95,000.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$95,000 AND REQUIRED TO REVISE ITS SUPERVISORY SYSTEMS REGARDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 123C WITH RESPECT TO MOC,LOC AND CO ORDERS ENTERED AND CANCELLED BY FIRM MARKET ACCESS CUSTOMERS AND A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 132 WITH RESPECT TO ACCOUNT TYPE INDICATOR CODES ON ORDERS ENTERED ON THE NYSE BY FIRM MARKET ACCESS CUSTOMERS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY FINRA'S OFFICE OF DISCIPLINARY AFFAIRS. FINE WAS PAID JANUARY 14, 2014.
Firm Statement	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$95,000 AND REQUIRED TO REVISE ITS SUPERVISORY SYSTEMS REGARDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 123C WITH RESPECT TO MOC,LOC AND CO ORDERS ENTERED AND CANCELLED BY FIRM MARKET ACCESS CUSTOMERS AND A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 132 WITH RESPECT TO ACCOUNT TYPE INDICATOR CODES ON ORDERS ENTERED ON THE NYSE BY FIRM MARKET ACCESS CUSTOMERS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY FINRA'S OFFICE OF DISCIPLINARY AFFAIRS. FINE WAS PAID JANUARY 14, 2014.

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Reporting Source:	Regulator
Current Status:	Final
Allegations:	MSRB RULES G-8, G-14, AND G-27, FINRA RULES 2010 AND 2110(A), AND NASD RULE 2320: THE FIRM FAILED TO EXECUTE ORDERS FULLY AND PROMPTLY AND IN TRANSACTIONS FOR OR WITH A CUSTOMER, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER

MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS.

THE FIRM FAILED TO REPORT INFORMATION REGARDING PURCHASE AND SALE TRANSACTIONS IN MUNICIPAL SECURITIES TO THE REAL-TIME TRANSACTION REPORTING SYSTEM (RTRS) IN THE MANNER PRESCRIBED BY RULE G-14 RTRS PROCEDURES AND THE RTRS USER'S MANUAL; THE FIRM FAILED TO REPORT THE CORRECT TIME OF TRADE TO THE RTRS IN MUNICIPAL SECURITIES TRANSACTIONS, AND FAILED TO REPORT INFORMATION THE TRANSACTIONS WITHIN 15 MINUTES OF TIME OF TRADE TO AN RTRS PORTAL.

THE FIRM FAILED TO SHOW THE CORRECT TIME OF EXECUTION ON THE MEMORANDUM OF MUNICIPAL SECURITIES TRANSACTIONS FOR THE ACCOUNT OF THE FIRM EXECUTED WITH ANOTHER BROKER OR DEALER.

THE FIRM IMPROPERLY REPORTED INFORMATION TO THE RTRS THAT IT SHOULD NOT HAVE; THE FIRM IMPROPERLY REPORTED PURCHASE AND SALE TRANSACTIONS IN MUNICIPAL SECURITIES TO THE RTRS. WHEN THE INTER-DEALER DELIVERS WERE STEP OUTS AND THUS WERE NOT INTER-DEALER TRANSACTIONS REPORTABLE TO THE RTRS.

THE FIRM FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES, WHICH SPECIFIED THAT THE FIRM WOULD PERFORM DAILY REVIEWS OF TRADES ON THE MSRB WEBSITE FOR ACCURACY AND TIMELINESS AND MONTHLY REVIEWS OF THE FIRM'S MSRB REPORTS CARDS.

Initiated By:	FINRA
Date Initiated:	10/16/2013
Docket/Case Number:	2009018146101
Principal Product Type:	Debt - Municipal
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	10/16/2013
Does the order constitute a	No



final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

Sanctions Ordered: Censure
Monetary/Fine \$95,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THEREFORE IT IS CENSURED AND FINED \$95,000 (\$15,000 FOR VIOLATIONS OF NASD RULE 2320, FINRA RULE 2010, AND FINRA RULE 2111(A), \$67,500 FOR VIOLATIONS OF MSRB RULE G-14, \$7,500 FOR VIOLATIONS OF MSRB RULE G-8, AND \$5,000 FOR VIOLATIONS OF MSRB RULE G-27). FINE PAID IN FULL ON NOVEMBER 15, 2013.

Reporting Source: Firm

Current Status: Final

Allegations: MSRB RULES G-8, G-14, AND G-27, FINRA RULES 2010 AND 2110(A), AND NASD RULE 2320: THE FIRM FAILED TO EXECUTE ORDERS FULLY AND PROMPTLY AND IN TRANSACTIONS FOR OR WITH A CUSTOMER, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS. THE FIRM FAILED TO REPORT INFORMATION REGARDING PURCHASE AND SALE TRANSACTIONS IN MUNICIPAL SECURITIES TO THE REAL-TIME TRANSACTION REPORTING SYSTEM (RTRS) IN THE MANNER PRESCRIBED BY RULE G-14 RTRS PROCEDURES AND THE RTRS USER'S MANUAL: THE FIRM FAILED TO REPORT THE CORRECT TIME OF TRADE TO THE RTRS IN MUNICIPAL SECURITIES TRANSACTIONS, AND FAILED TO REPORT INFORMATION THE TRANSACTIONS WITHIN 15 MINUTES OF TIME OF TRADE TO AN RTRS PORTAL. THE FIRM FAILED TO SHOW THE CORRECT TIME OF EXECUTION ON THE MEMORANDUM OF MUNICIPAL SECURITIES TRANSACTIONS FOR THE ACCOUNT OF THE FIRM EXECUTED WITH ANOTHER BROKER OR DEALER. THE FIRM IMPROPERLY REPORTED INFORMATION TO THE RTRS THAT IT SHOULD NOT HAVE; THE FIRM IMPROPERLY REPORTED PURCHASE AND SALE TRANSACTIONS IN MUNICIPAL SECURITIES TO THE RTRS, WHEN THE INTER-DEALER DELIVERS WERE STEP OUTS AND THUS WERE NOT INTER-DEALER TRANSACTIONS REPORTABLE TO THE RTRS. THE FIRM FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES, WHICH SPECIFIED



THAT THE FIRM WOULD PERFORM DAILY REVIEWS OF TRADES ON THE MSRB WEBSITE FOR ACCURACY AND TIMELINESS AND MONTHLY REVIEWS OF THE FIRM'S MSRB REPORTS CARDS.

Initiated By: FINRA
Date Initiated: 10/16/2013
Docket/Case Number: [2009018146101](#)
Principal Product Type: Debt - Municipal
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 10/16/2013
Sanctions Ordered: Censure
 Monetary/Fine \$95,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THEREFORE IT IS CENSURED AND FINED \$95,000 (\$15,000 FOR VIOLATIONS OF NASD RULE 2320, FINRA RULE 2010, AND FINRA RULE 2111(A), \$67,500 FOR VIOLATIONS OF MSRB RULE G-14, \$7,500 FOR VIOLATIONS OF MSRB RULE G-8, AND \$5,000 FOR VIOLATIONS OF MSRB RULE G-27).

Firm Statement WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THEREFORE IT IS CENSURED AND FINED \$95,000 (\$15,000 FOR VIOLATIONS OF NASD RULE 2320, FINRA RULE 2010, AND FINRA RULE 2111(A), \$67,500 FOR VIOLATIONS OF MSRB RULE G-14, \$7,500 FOR VIOLATIONS OF MSRB RULE G-8, AND \$5,000 FOR VIOLATIONS OF MSRB RULE G-27).

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Reporting Source: Regulator

Current Status: Final

Allegations: FINRA RULES 2010, 4560, 6380A(A), 6730(A), NASD RULES 2110, 3010, 3360.

NYSE RULE 421 - WEDBUSH SECURITIES INC., DURING A TWO-YEAR SHORT INTEREST REVIEW PERIOD, SUBMITTED INACCURATE SHORT INTEREST POSITION REPORTS TO FINRA AND ALSO FAILED TO REPORT SHORT INTEREST POSITIONS. DURING A TWO-YEAR SHORT INTEREST REVIEW PERIOD, THE FIRM SUBMITTED INACCURATE SHORT INTEREST POSITION REPORTS TO FINRA WHICH INCLUDED SHORT INTEREST POSITIONS FOR CERTAIN NASDAQ, NYSE, NYSE AMEX, NYSE ARCA, AND OVER-THE-COUNTER (OTC) EQUITY SECURITIES. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES CONCERNING SHORT INTEREST REPORTING. DURING A TRADE REPORTING REVIEW PERIOD, THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) LAST SALE REPORTS OF TRANSACTIONS IN NATIONAL MARKET SYSTEM (NMS) SECURITIES. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6380A(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010. THE FIRM FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) TRANSACTIONS IN TRACE-ELIGIBLE AGENCY DEBT SECURITIES WITHIN 15 MINUTES OF THE EXECUTION TIME. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6730(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010.

Initiated By: FINRA

Date Initiated: 09/27/2013

Docket/Case Number: [2009016641301](#)

Principal Product Type: Equity - OTC

Other Product Type(s): NMS SECURITIES, TRACE-ELIGIBLE AGENCY DEBT SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/27/2013



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$87,500.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$87,500 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING SHORT INTEREST POSITION REPORTS WITHIN 90 DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC. FINE PAID IN FULL ON NOVEMBER 19, 2013.
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Reporting Source:	Firm
Current Status:	Final
Allegations:	FINRA RULES 2010, 4560, 6380A(A), 6730(A), NASD RULES 2110, 3010, 3360, NYSE RULE 421 - WEDBUSH SECURITIES INC., DURING A TWO-YEAR SHORT INTEREST REVIEW PERIOD, SUBMITTED INACCURATE SHORT INTEREST POSITION REPORTS TO FINRA AND ALSO FAILED TO REPORT SHORT INTEREST POSITIONS. DURING A TWO-YEAR SHORT INTEREST REVIEW PERIOD, THE FIRM SUBMITTED INACCURATE SHORT INTEREST POSITION REPORTS TO FINRA WHICH INCLUDED SHORT INTEREST POSITIONS FOR CERTAIN NASDAQ, NYSE, NYSE AMEX, NYSE ARCA, AND OVER-THE-COUNTER (OTC) EQUITY SECURITIES. DURING A TRADE REPORTING REVIEW PERIOD, THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) LAST SALE REPORTS OF TRANSACTIONS IN NATIONAL MARKET SYSTEM (NMS) SECURITIES. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6380A(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010. THE FIRM FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) TRANSACTIONS IN TRACE-ELIGIBLE AGENCY DEBT SECURITIES WITHIN 15 MINUTES OF THE EXECUTION TIME. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6730(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010.



Initiated By: FINRA
Date Initiated: 09/27/2013
Docket/Case Number: [2009016641301](#)
Principal Product Type: Equity - OTC
Other Product Type(s): NMS SECURITIES, TRACE-ELIGIBLE AGENCY DEBT SECURITIES
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 10/07/2013
Sanctions Ordered: Censure
 Monetary/Fine \$87,500.00
Other Sanctions Ordered: UNDERTAKING
Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS: THEREFORE, THE FIRM IS CENSURED, FINED \$87,500 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING SHORT INTEREST POSITION REPORTS WITHIN 90 DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC.
Firm Statement WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS: THEREFORE, THE FIRM IS CENSURED, FINED \$87,500 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING SHORT INTEREST POSITION REPORTS WITHIN 90 DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC.

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Reporting Source: Regulator
Current Status: Final
Allegations: SEC RULES 10B-10, 17A-3, SEC RULE 605 OF REGULATION NMS, SEC RULE 200(G) OF REGULATION SHO, FINRA RULES 2010, 6182, NASD RULES 3010, 3110 WEDBUSH SECURITIES INC. FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMERS ITS CORRECT CAPACITY IN TRANSACTIONS AND THE REPORTED PRICE. THE FIRM MADE AVAILABLE REPORTS ON THE COVERED ORDERS IN NATIONAL MARKET



SYSTEM (NMS) SECURITIES IT RECEIVED FOR EXECUTION FROM ANY PERSON. THE REPORTS INCLUDED INCORRECT INFORMATION AS TO ORDER TYPE AND SIZE CATEGORIES. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND/OR FINRA RULES ADDRESSING QUALITY OF MARKET TOPICS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) FAILED TO PROVIDE FOR MINIMUM REQUIREMENTS FOR ADEQUATE WSPS IN ORDER HANDLING (DISCLOSURE OF ORDER ROUTING INFORMATION); TRADE REPORTING (RISKLESS PRINCIPAL TRADES REPORTING ON FIRM'S BEHALF, ACCURATE REPORTING BY THIRD PARTY); SALES TRANSACTIONS (DETERMINING AND MARKING SALES AS LONG OR SHORT)(PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT); (PRE-BORROWING IN AGED FAILS, ACCEPTING SHORT SALE ORDERS AFTER AN AGED FAIL OCCURS, NAKED SHORT SELLING ANTIFRAUD RULE, REPORTING SHORT SALE INDICATORS, REPORTING SALES AS LONG OR SHORT); PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT; AND OTHER RULES (BOOKS AND RECORDS). THE FIRM FAILED TO PROVIDE EVIDENCE OF SUPERVISORY REVIEW FOR TRADE REPORTING (RISKLESS PRINCIPAL TRADES, RISKLESS PRINCIPAL TRADES REPORTING ON FIRM'S BEHALF) (ORDER ENTRY INTO NASDAQ) (ACCURATE REPORTING BY THIRD PARTY); AND OTHER RULES (BOOKS AND RECORDS). THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMERS ITS CORRECT CAPACITY IN TRANSACTIONS AND THE CORRECT PRICE AND THE AVERAGE PRICE DETAILS. THE FIRM FAILED TO PROPERLY MARK SELL ORDERS AS SHORT AND, AS A RESULT, FAILED TO REPORT TRANSACTIONS IN REPORTABLE SECURITIES TO THE TRADE REPORTING FACILITY WITH A SHORT SALE INDICATOR. THE FIRM FAILED TO SHOW THE CORRECT ORDER ENTRY TIME AND THE CORRECT LONG/SHORT SALE INDICATOR IN ITS PROPRIETARY TRADING LEDGER.

Initiated By: FINRA

Date Initiated: 06/25/2013

Docket/Case Number: [2009017002603](#)

Principal Product Type: Other

Other Product Type(s): NATIONAL MARKET SYSTEM (NMS)SECURITIES, REPORTABLE SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)



Resolution Date: 06/25/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$72,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$72,500 AND REQUIRED TO REVISE ITS WSPS REGARDING ORDER HANDLING (DISCLOSURE OF ORDER ROUTING INFORMATION); TRADE REPORTING (RISKLESS PRINCIPAL TRADES REPORTING ON FIRM'S BEHALF, ACCURATE REPORTING BY THIRD PARTY); SALES TRANSACTIONS (DETERMINING AND MARKING SALES AS LONG OR SHORT)(PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT); (PRE-BORROWING IN AGED FAILS, ACCEPTING SHORT SALE ORDERS AFTER AN AGED FAIL OCCURS, NAKED SHORT SELLING ANTIFRAUD RULE, REPORTING SHORT SALE INDICATORS, REPORTING SALES AS LONG OR SHORT); PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT; AND OTHER RULES (BOOKS AND RECORDS) WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC. FINE PAID IN FULL ON JULY 24, 2013.

Reporting Source: Firm

Current Status: Final

Allegations: SEC RULES 10B-10, 17A-3, SEC RULE 605 OF REGULATION NMS, SEC RULE 200(G) OF REGULATION SHO, FINRA RULES 2010, 6182, NASD RULES 3010, 3110 WEDBUSH SECURITIES INC. FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMERS ITS CORRECT CAPACITY IN TRANSACTIONS AND THE REPORTED PRICE. THE FIRM MADE AVAILABLE REPORTS ON THE COVERED ORDERS IN NATIONAL MARKET SYSTEM (NMS) SECURITIES IT RECEIVED FOR EXECUTION FROM ANY PERSON. THE REPORTS INCLUDED INCORRECT INFORMATION AS TO ORDER TYPE AND SIZE CATEGORIES. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS.



Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS: THEREFORE, THE FIRM IS CENSURED, FINED \$72,500 AND REQUIRED TO REVISE ITS WSPS REGARDING ORDER HANDLING (DISCLOSURE OF ORDER ROUTING INFORMATION); TRADE REPORTING (RISKLESS PRINCIPAL TRADES REPORTING ON FIRM'S BEHALF, ACCURATE REPORTING BY THIRD PARTY); SALES TRANSACTIONS (DETERMINING AND MARKING SALES AS LONG OR SHORT)(PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT); (PRE-BORROWING IN AGED FAILS, ACCEPTING SHORT SALE ORDERS AFTER AN AGED FAIL OCCURS, NAKED SHORT SELLING ANTIFRAUD RULE, REPORTING SHORT SALE INDICATORS, REPORTING SALES AS LONG OR SHORT); PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT; AND OTHER RULES (BOOKS AND RECORDS) WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC.

Firm Statement THE FIRM SIGNED THE PROPOSED AWC ON MAY 30 2013 AND IT WAS ACCEPTED BY FINRA ON JUNE 25 2013.

Disclosure 12 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: NASDAQ RULES 2110, 3010, 4755 - WEDBUSH SECURITIES, INC.'S SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASDAQ RULES CONCERNING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS. THE FIRM FAILED TO CORRECTLY INDICATE WHETHER ORDERS WERE A BUY, SHORT SALE OR LONG SALE FOR SOME ORDERS ENTERED INTO THE NASDAQ MARKET CENTER.

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 04/02/2013

Docket/Case Number: 2009017002602

Principal Product Type: Other

Other Product Type(s): NASDAQ SECURITIES

Principal Sanction(s)/Relief Sought:



REGULATIONS AND/OR FINRA RULES ADDRESSING QUALITY OF MARKET TOPICS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) FAILED TO PROVIDE FOR MINIMUM REQUIREMENTS FOR ADEQUATE WSPS IN ORDER HANDLING (DISCLOSURE OF ORDER ROUTING INFORMATION); TRADE REPORTING (RISKLESS PRINCIPAL TRADES REPORTING ON FIRM'S BEHALF, ACCURATE REPORTING BY THIRD PARTY); SALES TRANSACTIONS (DETERMINING AND MARKING SALES AS LONG OR SHORT)(PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT); (PRE-BORROWING IN AGED FAILS, ACCEPTING SHORT SALE ORDERS AFTER AN AGED FAIL OCCURS, NAKED SHORT SELLING ANTIFRAUD RULE, REPORTING SHORT SALE INDICATORS, REPORTING SALES AS LONG OR SHORT); PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT; AND OTHER RULES (BOOKS AND RECORDS). THE FIRM FAILED TO PROVIDE EVIDENCE OF SUPERVISORY REVIEW FOR TRADE REPORTING (RISKLESS PRINCIPAL TRADES, RISKLESS PRINCIPAL TRADES REPORTING ON FIRM'S BEHALF) (ORDER ENTRY INTO NASDAQ) (ACCURATE REPORTING BY THIRD PARTY); AND OTHER RULES (BOOKS AND RECORDS). THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMERS ITS CORRECT CAPACITY IN TRANSACTIONS AND THE CORRECT PRICE AND THE AVERAGE PRICE DETAILS. THE FIRM FAILED TO PROPERLY MARK SELL ORDERS AS SHORT AND, AS A RESULT, FAILED TO REPORT TRANSACTIONS IN REPORTABLE SECURITIES TO THE TRADE REPORTING FACILITY WITH A SHORT SALE INDICATOR. THE FIRM FAILED TO SHOW THE CORRECT ORDER ENTRY TIME AND THE CORRECT LONG/SHORT SALE INDICATOR IN ITS PROPRIETARY TRADING LEDGER.

Initiated By: FINRA

Date Initiated: 06/25/2013

Docket/Case Number: [2009017002603](#)

Principal Product Type: Other

Other Product Type(s): NATIONAL MARKET SYSTEM (NMS)SECURITIES, REPORTABLE SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/25/2013

Sanctions Ordered: Censure
Monetary/Fine \$72,500.00

Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/02/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$12,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS: THEREFORE, THE FIRM IS CENSURED, FINED \$12,500 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NATIONAL REVIEW COUNSEL.

Reporting Source: Firm

Current Status: Final

Allegations: NASDAQ RULES 2110, 3010, 4755 - WEDBUSH SECURITIES, INC.'S SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASDAQ RULES CONCERNING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS. THE FIRM FAILED TO CORRECTLY INDICATE WHETHER ORDERS WERE A BUY, SHORT SALE OR LONG SALE FOR SOME ORDERS ENTERED INTO THE NASDAQ MARKET CENTER.

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 04/02/2013

Docket/Case Number: 2009017002602

Principal Product Type: Other



Other Product Type(s): NASDAQ SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/02/2013

Sanctions Ordered: Censure
Monetary/Fine \$12,500.00

Other Sanctions Ordered: UNDERTAKING TO UPDATE THE WSP'S

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; WEDBUSH WAS CENSURED, FINED \$12,500 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NATIONAL REVIEW COUNSEL.

Firm Statement WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; WEDBUSH WAS CENSURED, FINED \$12,500 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NATIONAL REVIEW COUNSEL AND WHICH WAS ACCEPTED ON APRIL 2 2013.

Disclosure 13 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: BATS RULES 5.1, 11.19 - WEDBUSH SECURITIES, INC.'S SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES (WSPS) WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND BATS RULES CONCERNING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS AND SHORT SALE ORDER ENTRY ON THE BATS EXCHANGE. THE FIRM FAILED TO CORRECTLY INDICATE WHETHER TWO ORDERS WERE A BUY.



SHORT SALE OR LONG SALE IN SOME TRANSACTIONS.
Initiated By: BATS Z-EXCHANGE, INC.
Date Initiated: 03/08/2013
Docket/Case Number: 2009017002601
Principal Product Type: Other
Other Product Type(s): UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 03/08/2013
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Censure
 Monetary/Fine \$12,500.00
Other Sanctions Ordered: UNDERTAKING
Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$12,500, AND REQUIRED TO REVISE IT WSPS REGARDING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS AND SHORT SALE ORDER ENTRY ON THE BATS EXCHANGE WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE APPEALS COMMITTEE.

Reporting Source: Firm
Current Status: Final
Allegations: BATS RULES 5.1, 11.19 - WEDBUSH SECURITIES, INC.'S SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES (WSPS) WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND BATS RULES CONCERNING THE



PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS AND SHORT SALE ORDER ENTRY ON THE BATS EXCHANGE. THE FIRM FAILED TO CORRECTLY INDICATE WHETHER TWO ORDERS WERE A BUY, SHORT SALE OR LONG SALE IN SOME TRANSACTIONS.

Initiated By: BATS Y-EXCHANGE, INC.

Date Initiated: 03/08/2013

Docket/Case Number: 2009017002601

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/12/2013

Sanctions Ordered: Censure
Monetary/Fine \$12,500.00

Other Sanctions Ordered: UNDERTAKING TO UPDATE THE WSP'S

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. WEDBUSH WAS CENSURED, FINED \$12,500, AND REQUIRED TO REVISE IT WSP'S REGARDING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS AND SHORT SALE ORDER ENTRY ON THE BATS EXCHANGE WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE APPEALS COMMITTEE.

Firm Statement WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$12,500, AND REQUIRED TO REVISE IT WSPS REGARDING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS AND SHORT SALE ORDER ENTRY ON THE BATS EXCHANGE WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE APPEALS COMMITTEE WHICH DID ACCEPT THE AWC ON MARCH 8, 2013.

**Disclosure 14 of 75**

Reporting Source: Firm

Current Status: Final

Allegations: ON JUNE 20, 2007 AND JULY 31, 2009 THE FIRM FAILED TO INCLUDE THE ADMINISTRATIVE ACTIONS ON CRD ON THE NY INSURANCE LICENSE APPLICATION.

Initiated By: NY STATE DEPARTMENT OF FINANCIAL SERVICES

Date Initiated: 11/13/2012

Docket/Case Number: 2012-0174-S

Principal Product Type: Insurance

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Stipulation and Consent

Resolution Date: 03/08/2013

Sanctions Ordered: Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM PAID A FINE OF \$10,000 WHICH WAS SENT WITH THE PROPOSED STIPULATION ON NOVEMBER 13, 2012.

Firm Statement THE FIRM SENT A SIGNED COPY OF THE STIPULATION ADMITTING THE FIRM HAD NOT PROVIDED INFORMATION REGARDING THE ADMINISTRATIVE ACTIONS ON THE 2007 AND 2009 APPLICATIONS ALONG WITH THE CHECK TO PAY THE \$10,000 PENALTY. NY SIGNED THE STIPULATION AND SENT THE FIRM A COPY ON MARCH 8 2013.

Disclosure 15 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: **11/30/12** OFFER OF SETTLEMENT AND CONSENT FILED BY FINRA MARKET REGULATION, LEGAL SECTION AND PENDING. NYSE ARCA: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT



ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS REFERRED TO HEREIN, WEDBUSH SECURITIES, INC. STIPULATED THAT FROM ON OR ABOUT JULY 30, 2009 TO ON OR ABOUT MAY 21, 2010 IT: 1.VIOLATED NYSE ARCA OPTIONS RULE 6.67(B) BY FAILING TO COMPLY WITH THE ORDER FORMAT REQUIREMENTS OF THE EXCHANGE BY SUBMITTING ORDERS WITH INCORRECT INFORMATION AS TO WHETHER SUCH TRANSACTION WAS AN OPENING OR CLOSING TRANSACTION. 2.VIOLATED NYSE ARCA OPTIONS RULE 6.14 BY MAKING ADJUSTMENTS TO POSITIONS AT THE OPTIONS CLEARING CORPORATION THAT WERE NOT FOR THE PURPOSE OF CORRECTING A BONA FIDE ERROR. 3. VIOLATED NYSE ARCA OPTIONS RULE 11.18 BY FAILING TO ESTABLISH AND MAINTAIN A SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS ASSOCIATED PERSONS AND THE OPERATION OF ITS BUSINESS REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE ARCA OPTIONS RULE 6.14. STIPULATED SANCTION: 1. CENSURE; AND 2. FINE IN THE AMOUNT OF \$25,000.

Initiated By: NYSE ARCA, INC.

Date Initiated: 11/30/2012

Docket/Case Number: 20110275603

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 01/02/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

Other Sanctions Ordered:

Sanction Details: NYSE ARCA HEARING BOARD DECISION ISSUED JANUARY 2, 2013 WHEREIN IN ACCORDANCE WITH THE OFFER OF SETTLEMENT AND CONSENT, THE FIRM IS CENSURED AND FINED \$25,000.



Regulator Statement OTHER CASE NUMBER: 13-ARCA-01

Reporting Source: Firm

Current Status: Final

Allegations: **11/30/12** OFFER OF SETTLEMENT AND CONSENT FILED BY FINRA MARKET REGULATION, LEGAL SECTION AND PENDING. FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS REFERRED TO HEREIN, WEDBUSH SECURITIES, INC. STIPULATED THAT FROM ON OR ABOUT JULY 30, 2009 TO ON OR ABOUT MAY 21, 2010 IT: 1.VIOLATED NYSE ARCA OPTIONS RULE 6.67(B) BY FAILING TO COMPLY WITH THE ORDER FORMAT REQUIREMENTS OF THE EXCHANGE BY SUBMITTING ORDERS WITH INCORRECT INFORMATION AS TO WHETHER SUCH TRANSACTION WAS AN OPENING OR CLOSING TRANSACTION. 2.VIOLATED NYSE ARCA OPTIONS RULE 6.14 BY MAKING ADJUSTMENTS TO POSITIONS AT THE OPTIONS CLEARING CORPORATION THAT WERE NOT FOR THE PURPOSE OF CORRECTING A BONA FIDE ERROR. 3. VIOLATED NYSE ARCA OPTIONS RULE 11.18 BY FAILING TO ESTABLISH AND MAINTAIN A SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS ASSOCIATED PERSONS AND THE OPERATION OF ITS BUSINESS REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE ARCA OPTIONS RULE 6.14. STIPULATED SANCTION: 1. CENSURE; AND 2. FINE IN THE AMOUNT OF \$25,000.

Initiated By: NYSE ARCA INC.

Date Initiated: 11/30/2012

Docket/Case Number: 20110275603

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 01/02/2013

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

**Other Sanctions Ordered:****Sanction Details:**

NYSE ARCA HEARING BOARD DECISION ISSUED JANUARY 2, 2013 WHEREIN IN ACCORDANCE WITH THE OFFER OF SETTLEMENT AND CONSENT, THE FIRM IS CENSURED AND FINED \$25,000.

Firm Statement

ON NOVEMEBR 25, 2012 WEDBUSH SIGNED AN OFFER OF SETTLEMENT WHCIH WAS SIGNED BY COUNSEL FOR FINRA MARKET REGULATION ON NOVEMBER 30, 2013. THE HEARING BOARD ACCEPTED THE OFFER OF SETTLEMENT AND ISSUED THE DECISION ON JANUARY 2, 2013 OF A CENSURE AND FINE OF \$25,000.

Disclosure 16 of 75**Reporting Source:**

Regulator

Current Status:

Final

Allegations:

SECTION 12(K)(2) OF THE SECURITIES EXCHANGE ACT OF 1934 - WEDBUSH SECURITIES INC. FAILED, IN NUMEROUS INSTANCES, TO PROHIBIT EXECUTIONS IN SHORT SALES SUBJECT TO THE SEC EMERGENCY ORDER BY NON-BROKER-DEALER SPONSORED ACCESS CLIENTS OF THE FIRM.

Initiated By:

FINRA

Date Initiated:

11/21/2012

Docket/Case Number:[2008015084501](#)**Principal Product Type:**

Equity Listed (Common & Preferred Stock)

Other Product Type(s):**Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:**

Acceptance, Waiver & Consent(AWC)

Resolution Date:

11/21/2012

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

No

Sanctions Ordered:

Censure



Monetary/Fine \$35,000.00

Other Sanctions Ordered:

Sanction Details:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS: THEREFORE, THE FIRM IS CENSURED AND FINED \$35,000. FINE PAID IN FULL ON 12/19/12.

Reporting Source:

Firm

Current Status:

Final

Allegations:

SECTION 12(K)(2) OF THE SEA OF 1934 - WEDBUSH SECURITIES FAILED IN SEVERAL INSTANCES TO PROHIBIT EXECUTIONS IN SHORT SALES SUBJECT TO THE SEC EMERGENCY ORDER BY NON-BROKER-DEALER SPONSORED ACCESS CLIENTS OF THE FIRM.

Initiated By:

FINRA

Date Initiated:

11/21/2012

Docket/Case Number:

[2008015084501](#)

Principal Product Type:

Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution:

Acceptance, Waiver & Consent(AWC)

Resolution Date:

11/21/2012

Sanctions Ordered:

Censure
Monetary/Fine \$35,000.00

Other Sanctions Ordered:

Sanction Details:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THE FIRM WAS CENSURED AND FINED \$35,000

Firm Statement

THE FIRM WAS CENSURED AND FINED \$35,000 11/21/2012.

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Reporting Source: Regulator

Current Status: Final

Allegations: MSRB RULES G-32 AND G-36: FROM JUNE 2, 2008 THROUGH JUNE 30, 2011, THE FIRM DID NOT TIMELY FILE OFFICIAL STATEMENTS (OS) FOR 39 PRIMARY MUNICIPAL OFFERINGS IN WHICH IT ACTED AS A LEAD OR SOLE MANAGER. MSRB RULE G36(B)(I) REQUIRES AN UNDERWRITER TO SEND THE FILE OFFICIAL STATEMENT FOR A MUNICIPAL OFFERING TO THE MSRB WITHIN ONE BUSINESS DAY AFTER THE OFFICIAL STATEMENT IS RECEIVED FROM THE ISSUER, BUT NO LATER THAN TEN BUSINESS DAYS AFTER THE FINAL AGREEMENT. MSRB RULE G-32 REPLACED MSRB RULE G-36 AS OF JUNE 1, 2009. MSRB RULE G-32(B)(I)(B)(1) REQUIRES THE UNDERWRITER OF A PRIMARY OFFERING OF MUNICIPAL SECURITIES TO SEND THE OFFICIAL STATEMENT TO THE ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) WITHIN ONE BUSINESS DAY AFTER RECEIPT OF THE OFFICIAL STATEMENT FROM THE ISSUER, BUT BY NO LATER THAN THE CLOSING DATE.

Initiated By: FINRA

Date Initiated: 10/19/2012

Docket/Case Number: 2010021286801

Principal Product Type: Other

Other Product Type(s): PRIMARY MUNICIPAL OFFERINGS

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/19/2012

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS:



THEREFORE THE FIRM IS FINED \$5,000. FINE PAID IN FULL ON 11/14/2012.

Reporting Source: Firm

Current Status: Final

Allegations: MSRB RULES G-32 AND G-36: FROM JUNE 2, 2008 THROUGH JUNE 30, 2011, THE FIRM DID NOT TIMELY FILE OFFICIAL STATEMENTS (OS) FOR 39 PRIMARY MUNICIPAL OFFERINGS IN WHICH IT ACTED AS A LEAD OR SOLE MANAGER. MSRB RULE G36(B)(I) REQUIRES AN UNDERWRITER TO SEND THE FILE OFFICIAL STATEMENT FOR A MUNICIPAL OFFERING TO THE MSRB WITHIN ONE BUSINESS DAY AFTER THE OFFICIAL STATEMENT IS RECEIVED FROM THE ISSUER, BUT NO LATER THAN TEN BUSINESS DAYS AFTER THE FINAL AGREEMENT. MSRB RULE G-32 REPLACED MSRB RULE G-36 AS OF JUNE 1, 2009. MSRB RULE G-32(B)(I)(B)(1) REQUIRES THE UNDERWRITER OF A PRIMARY OFFERING OF MUNICIPAL SECURITIES TO SEND THE OFFICIAL STATEMENT TO THE ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) WITHIN ONE BUSINESS DAY AFTER RECEIPT OF THE OFFICIAL STATEMENT FROM THE ISSUER, BUT BY NO LATER THAN THE CLOSING DATE.

Initiated By: FINRA

Date Initiated: 10/19/2012

Docket/Case Number: 2010021286801

Principal Product Type: Other

Other Product Type(s): PRIMARY MUNICIPAL OFFERINGS

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/19/2012

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM IS FINED \$5,000.

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Reporting Source: Regulator

Current Status: Final

Allegations: CHAPTER XV, RULE 5.1 OF THE BZA EXCHANGE RULES, CHAPTER XXIII, RULE 23.1(J) OF THE BZA EXCHANGE RULES - WEDBUSH SECURITIES INC. MADE A DECISION TO EXERCISE AND SUBMITTED AN EXPIRING EXERCISE DECLARATION (EED) AFTER THE 5:30 P.M. EASTERN TIME CUT-OFF TIME BASED ON MATERIAL INFORMATION RELEASED AFTER THE CUT-OFF TIME FOR AN OPTIONS POSITION IN PRODUCT A HELD IN A FIRM PROPRIETARY ACCOUNT. THE FIRM FAILED TO HAVE ADEQUATE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH EXCHANGE RULES RELATING TO THE OBLIGATIONS OF AN EXCHANGE PARTICIPANT WHEN EXERCISING OPTIONS CONTRACTS.

Initiated By: BATS Z-EXCHANGE, INC.

Date Initiated: 05/21/2012

Docket/Case Number: 20110709

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/21/2012

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
 Monetary/Fine \$75,000.00
 Disgorgement/Restitution

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS:

THEREFORE, THE FIRM IS CENSURED, FINED \$75,000, ORDERED TO PAY RESTITUTION OF \$73,326, PLUS INTEREST, TO THE HARMED CUSTOMERS AND REQUIRED TO REVISE ITS SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES REGARDING OBLIGATIONS OF AN EXCHANGE PARTICIPANT WHEN EXERCISING OPTIONS CONTRACTS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE CHIEF REGULATORY OFFICER

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE EXERCISE OF OPTIONS AFTER THE 5:30 P.M. EST CUT-OFF TIME DUE TO A NEWS RELEASE AFTER THE CUT-OFF TIME. FAILURE TO HAVE ADEQUATE WRITTEN SUPERVISORY PROCEDURES TO ENSURE AN EXERCISE DOES NOT TAKE PLACE AFTER THE CUT-OFF TIME ABSENT AN APPLICABLE EXCEPTION.
Initiated By:	BATS EXCHANGE, INC. ("BZX")
Date Initiated:	03/03/2011
Docket/Case Number:	20110709
Principal Product Type:	Options
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	\$75,000 FINE RESTITUTION OF \$73,326 UNDERTAKING TO REVISE THE WRITTEN SUPERVISORY PROCEDURES
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	05/23/2012
Sanctions Ordered:	Censure Monetary/Fine \$75,000.00 Disgorgement/Restitution
Other Sanctions Ordered:	UNDERTAKING TO MODIFY THE FIRMS WRITTEN SUPERVISORY PROCEDURES
Sanction Details:	\$75,000 FINE AND \$73,326 IN RESTITUTION AND AN UNDERTAKING TO MODIFY THE FIRMS WRITTEN SUPERVISORY PROCEDURES.

Disclosure 19 of 75**Reporting Source:**

Regulator

Current Status:

Final

Allegations:

FINRA RULES 2010, 7450, NASD RULES 1021, 1031, 2110, 3010, 6955 - WEDBUSH SECURITIES INC. PERMITTED ITS SPONSORED ACCESS AND DIRECT MARKET ACCESS (SM/DMA) CLIENTS TO USE MARKET ACCESS SYSTEMS TO ELECTRONICALLY ROUTE ORDERS DIRECTLY TO NASDAQ AND TO ELECTRONIC COMMUNICATIONS NETWORKS (ECNS) USING A FIRM MARKET PARTICIPANT IDENTIFIER (MPID). AS EXECUTING BROKER, THE FIRM HAD AN ORDER AUDIT TRAIL SYSTEM (OATS) REPORTING OBLIGATION FOR THESE ORDERS AND FOR APPROXIMATELY 18 MONTHS FAILED TO REPORT APPROXIMATELY 1.6 BILLION REPORTABLE ORDER EVENTS (ROES) WHICH CONSTITUTED ALMOST ALL OF ITS OATS REPORTING OBLIGATION DURING THAT PERIOD. THE FIRM ALSO FAILED TO SUBMIT APPROXIMATELY 2.9 MILLION ROES ATTRIBUTABLE TO SECONDARY MPIDS THAT THE FIRM USED TO SEGREGATE SA/DMA CLIENT ACTIVITY. THESE ROES WERE NOT SUBMITTED UNTIL FINRA APPRISED THE FIRM OF THE NON-REPORTING. ALTHOUGH THE FIRM'S WRITTEN SUPERVISORY PROCEDURES REQUIRED A PERIODIC REVIEW TO DETERMINE WHETHER ALL REQUIRED INFORMATION WAS BEING REPORTED, IT FAILED TO REPORT MORE THAN 99 PERCENT OF ITS OATS REPORTABLE ACTIVITY FOR SEVERAL YEARS. AS A RESULT OF ITS INCLUSION OF SA/DMA ACTIVITY, THE FIRM ATTEMPTED TO REPORT SEVERAL MILLION ROES AND IMMEDIATELY ENCOUNTERED DIFFICULTIES IN REPORTING ROES TIMELY BECAUSE ITS EMAIL SYSTEMS WERE INCAPABLE OF HANDLING THE AMOUNT OF DATA GENERATED. THE FIRM DID NOT PERFORM ANY TESTING TO DETERMINE IF ITS SYSTEMS WERE EQUIPPED TO REPORT THAT NUMBER OF ORDERS. THE FIRM TRIED INTERNET FILE TRANSFER (IFT) AND FILE TRANSFER PROTOCOL (FTP) WHICH ALSO DIDN'T WORK AND CONTRIBUTED TO LATE REPORTING FOR MORE THAN FOUR YEARS. THE FIRM SUBMITTED APPROXIMATELY 279 MILLION ROES LATE. BASED ON FEEDBACK FROM THE OATS WEBSITE, THE FIRM KNEW, OR SHOULD HAVE KNOWN, HOW MANY ROES IT WAS SUBMITTING LATE AND HOW ITS LATE REPORTING COMPARED TO THAT OF ITS PEERS AND THE INDUSTRY. FOR APPROXIMATELY FOUR YEARS, THE FIRM FAILED TO REPAIR APPROXIMATELY 12.7 MILLION REJECTED REPAIRABLE ROES BECAUSE OF CONTEXT OR SYNTAX ERRORS. THE FIRM OPERATED UNDER THE FALSE ASSUMPTION THAT REJECTED ROES COULD NOT BE REPAIRED AFTER THE FIVE OATS BUSINESS DAY WINDOW, DID NOT DEDICATE THE RESOURCES NECESSARY TO MAKE ALL REQUIRED REPAIRS WITHIN THE WINDOW AND THEN GAVE UP ONCE THE FIVE OATS BUSINESS DAYS HAD ELAPSED. AFTER CLARIFYING ITS MISUNDERSTANDING AND KNOWING THAT REPAIRS COULD BE MADE BEYOND THE FIVE-DAY WINDOW, IT STILL PERIODICALLY MADE REPAIRS



MONTHS LATE OR NOT AT ALL. THE FIRM'S FAILURE TO ROUTINELY PERFORM PRE-SUBMISSION CHECKS OF OATS DATA FOR ACCURACY FURTHER EXACERBATED ITS PROBLEMS WITH TRANSMITTING ROES THAT WERE REJECTED AND REQUIRED REPAIR. THE FIRM TRANSMITTED MORE THAN 26.7 MILLION ROUTE OR COMBINED ORDER/ROUTE REPORTS TO OATS THAT OATS WAS UNABLE TO LINK TO THE RELATED ORDER ROUTED TO NASDAQ DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA WHICH REPRESENTED MORE THAN 98 PERCENT OF ALL MATCH-ELIGIBLE ROUTE OR COMBINED ORDER/ROUTE REPORTS IT TRANSMITTED TO OATS DURING THAT PERIOD. THE FIRM TRANSMITTED MORE THAN 14 MILLION ROUTE OR COMBINED ORDER/ROUTE REPORTS THAT OATS WAS UNABLE TO LINK TO THE CORRESPONDING NEW ORDER TRANSMITTED BY THE DESTINATION MEMBER FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FIRM TRANSMITTED MORE THAN FOUR MILLION ROUTE OR COMBINED ORDER/ROUTE REPORTS TO OATS THAT WERE SUBMITTED BY OTHER MEMBERS WHERE THE FIRM WAS NAMED AS THE SENT TO FIRM THAT OATS WAS UNABLE TO MATCH TO A RELATED NEW ORDER REPORT SUBMITTED BY THE FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA.(CONTINUED IN COMMENT)

Initiated By: FINRA
Date Initiated: 03/30/2012
Docket/Case Number: [2007007769001](#)
Principal Product Type: Equity - OTC
Other Product Type(s): NASDAQ SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Decision & Order of Offer of Settlement
Resolution Date: 06/25/2013
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Censure



Monetary/Fine \$750,000.00

Other Sanctions Ordered:

UNDERTAKING

Sanction Details:

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$750,000 AND REQUIRED TO RETAIN WITHIN 30 DAYS OF THE ORDER ACCEPTING THE OFFER OF SETTLEMENT, AN INDEPENDENT CONSULTANT (IC) TO CONDUCT A COMPREHENSIVE REVIEW OF THE FIRM'S POLICIES, SYSTEMS, CONTROLS, PROCEDURES (WRITTEN AND OTHERWISE), AND TRAINING RELATED TO OATS REPORTING AND THE FIRM'S SUPERVISION OF OATS REPORTING. AT THE CONCLUSION OF THE REVIEW WHICH SHALL BE NO MORE THAN 120 DAYS AFTER THE DATE OF THE ORDER, THE IC SHALL SUBMIT AN INITIAL REPORT TO THE FIRM AND FINRA WHICH SHALL INCLUDE RECOMMENDATIONS RELATING TO OATS REPORTING AND THE FIRM'S SUPERVISION OF OATS REPORTING. WITHIN 60 DAYS AFTER DELIVERY OF THE INITIAL REPORT, THE FIRM SHALL ADOPT AND IMPLEMENT THE IC'S RECOMMENDATIONS OR PROPOSE ALTERNATIVE PROCEDURES. WITHIN 30 DAYS, THE IC SHALL EVALUATE THE ALTERNATIVE PROCEDURES AND PROVIDE THE FIRM AND FINRA WITH A WRITTEN DECISION REFLECTING HIS/HER DETERMINATION. THE FIRM WILL ABIDE BY THE IC'S ULTIMATE DETERMINATION, ADOPT AND IMPLEMENT ALL RECOMMENDATIONS. WITHIN 30 DAYS, THE FIRM SHALL PROVIDE FINRA WITH A WRITTEN IMPLEMENTATION REPORT, CERTIFIED BY A FIRM OFFICER. THE IC SHALL CONDUCT A FOLLOW-UP REVIEW AND SUBMIT A WRITTEN FINAL REPORT NO LATER THAN ONE YEAR FROM THE DATE OF THE ORDER. WITHIN 30 DAYS OF RECEIPT OF THE IC'S FINAL REPORT, THE FIRM SHALL ADOPT AND IMPLEMENT THE FINAL REPORT'S RECOMMENDATIONS. FINE PAID IN FULL ON JULY 23, 2013.

Regulator Statement

ALLEGATIONS CONTINUED: THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS AND OTHER ASSOCIATED PERSONS THAT WAS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD/FINRA RULES, TO WIT NASD RULES 6955, 7450, AND FINRA RULES 6955 AND 7450. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT WAS ENGAGED AND TO SUPERVISE THE ACTIVITIES OF REGISTERED REPRESENTATIVES, REGISTERED PRINCIPAL AND OTHER ASSOCIATED PERSONS TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD/FINRA RULES, TO WIT, NASD RULE 6955 AND FINRA RULE 7450. FOR APPROXIMATELY THREE YEARS, THE FIRM FAILED TO REGISTER AN INDIVIDUAL AS A GENERAL SECURITIES PRINCIPAL. FOR MORE THAN TWO YEARS, THE FIRM FAILED TO REGISTER AN INDIVIDUAL AS A GENERAL SECURITIES REPRESENTATIVE.

Reporting Source: Firm
Current Status: Final
Allegations: OATS NON-REPORTING, LATE REPORTING AND SUPERVISION NASD RULE 6955/FINRA RULE 7450, NASD RULE 2110 AND 3010/FINRA RULE 2010, NASD RULE 1021 AND 1031 FAILURE TO REGISTER AN INDIVIDUAL AS A GENERAL SECURITIES PRINCIPAL.
Initiated By: FINRA
Date Initiated: 03/30/2012
Docket/Case Number: 20070077690
Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:
Resolution: Decision & Order of Offer of Settlement
Resolution Date: 06/25/2013
Sanctions Ordered: Censure
 Monetary/Fine \$750,000.00
Other Sanctions Ordered: UNDERTAKING
Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$750,000 AND REQUIRED TO RETAIN WITHIN 30 DAYS OF THE ORDER ACCEPTING THE OFFER OF SETTLEMENT, AN INDEPENDENT CONSULTANT (IC) TO CONDUCT A COMPREHENSIVE REVIEW OF THE FIRM'S POLICIES, SYSTEMS, CONTROLS, PROCEDURES (WRITTEN AND OTHERWISE), AND TRAINING RELATED TO OATS REPORTING AND THE FIRM'S SUPERVISION OF OATS REPORTING. AT THE CONCLUSION OF THE REVIEW WHICH SHALL BE NO MORE THAN 120 DAYS AFTER THE DATE OF THE ORDER, THE IC SHALL SUBMIT AN INITIAL REPORT TO THE FIRM AND FINRA WHICH SHALL INCLUDE RECOMMENDATIONS RELATING TO OATS REPORTING AND THE FIRM'S SUPERVISION OF OATS REPORTING. WITHIN 60 DAYS AFTER DELIVERY OF THE INITIAL REPORT, THE FIRM SHALL ADOPT AND IMPLEMENT THE IC'S RECOMMENDATIONS OR PROPOSE ALTERNATIVE



PROCEDURES. WITHIN 30 DAYS, THE IC SHALL EVALUATE THE ALTERNATIVE PROCEDURES AND PROVIDE THE FIRM AND FINRA WITH A WRITTEN DECISION REFLECTING HIS/HER DETERMINATION. THE FIRM WILL ABIDE BY THE IC'S ULTIMATE DETERMINATION, ADOPT AND IMPLEMENT ALL RECOMMENDATIONS. WITHIN 30 DAYS, THE FIRM SHALL PROVIDE FINRA WITH A WRITTEN IMPLEMENTATION REPORT, CERTIFIED BY A FIRM OFFICER. THE IC SHALL CONDUCT A FOLLOW-UP REVIEW AND SUBMIT A WRITTEN FINAL REPORT NO LATER THAN ONE YEAR FROM THE DATE OF THE ORDER. WITHIN 30 DAYS OF RECEIPT OF THE IC'S FINAL REPORT, THE FIRM SHALL ADOPT AND IMPLEMENT THE FINAL REPORT'S RECOMMENDATIONS.

Firm Statement

THE FIRM SUBMITTED AN OFFER OF SETTLEMENT WITHOUT ADMITTING OR DENYING THE ALLEGATIONS ON MAY 2, 2013. THE OFFER WAS ACCEPTED BY THE HEARING BOARD AND THE FINRA NAC ON JUNE 25, 2013.

Disclosure 20 of 75

Reporting Source:

Regulator

Current Status:

Final

Allegations:

SEC EXCHANGE ACT RULE 15C3-3(B)(1), FINRA RULE 2010, NASD RULE 11870: THE FIRM FAILED TO PROMPTLY OBTAIN AND MAINTAIN POSSESSION OR CONTROL OVER ITS CUSTOMERS' SECURITIES. AN OPERATIONS EMPLOYEE AT ONE OF THE FIRM'S BRANCH OFFICES ERRONEOUSLY TENDERED PAR VALUE \$7,305,000 IN CORPORATE BONDS HELD IN FIVE CUSTOMER ACCOUNTS AT THE FIRM. THE TENDER WAS ERRONEOUS IN THAT NONE OF THE CUSTOMERS HAD REQUESTED THAT THEIR BONDS BE TENDERED. AFTER SEVERAL UNSUCCESSFUL ATTEMPTS BY THE FIRM TO RESCIND THE TENDER, THE FIRM CREATED A SHORT POSITION IN THE ERROR ACCOUNT OF THE BRANCH OFFICE WHERE THE TENDER HAD OCCURRED. BASED ON THE EXISTENCE OF THIS SHORT POSITION, WHICH OFFSET THE LONG POSITIONS IN THE FIVE CUSTOMER ACCOUNTS, THE FIRM DETERMINED THAT IT WAS NOT OBLIGATED TO PROMPTLY OBTAIN AND MAINTAIN POSSESSION OR CONTROL OVER THE CUSTOMERS' BONDS. CONSEQUENTLY, THE FIRM DID NOT BUY SUFFICIENT BONDS TO COVER ITS SHORT POSITION UNTIL ABOUT A YEAR TWO MONTHS LATER. THE FIRM DETERMINED THAT IT WAS REQUIRED TO NEITHER BUY NOR BORROW ITS CUSTOMERS' BONDS POSITIONS BASED ON A LONGSTANDING INTERPRETATION OF EXCHANGE ACT RULE 15C3-3, WHICH RELIEVES BROKER-DEALERS OF THEIR NORMAL POSSESSION AND CONTROL OBLIGATIONS UNDER CERTAIN CIRCUMSTANCES. IN THIS CASE, HOWEVER, THE FIRM WAS NOT ENTITLED TO THE BENEFIT OF THE INTERPRETATION BECAUSE THE

INTERPRETATION ONLY APPLIES TO FIRM SHORT POSITIONS THAT RESULT FROM ACTUAL SHORT SALES TO CUSTOMERS. IN ORDER TO MONITOR THE POSITIONS OF CUSTOMERS WHOSE BONDS HAD BEEN ERRONEOUSLY TENDERED, THE FIRM CREATED A NEW SECURITY IDENTIFICATION NUMBER FOR THOSE BONDS IN ITS INTERNAL SECURITIES TRACKING SYSTEM. TWO CONSEQUENCES OF THIS ACTION WERE THAT A RESTRICTED FLAG WAS ATTACHED TO THE NEW SECURITY IDENTIFICATION NUMBER, AND THE CUSIP NUMBER OF THE PRE-TENDER BONDS WAS NO LONGER ASSOCIATED WITH THE POSITIONS REPRESENTING THE TENDERED BONDS. TWO OF THE ACCOUNTS FROM WHICH THE BONDS WERE ERRONEOUSLY TENDERED WERE HELD BY THE SAME BENEFICIAL OWNER. IN TOTAL, THE TWO ACCOUNTS HELD PAR VALUE \$6,105,000 OF THE BONDS. THE CUSTOMER REQUESTED THAT BOTH OF HIS ACCOUNTS BE TRANSFERRED IN THEIR ENTIRETY TO ANOTHER BROKER-DEALER VIA THE AUTOMATED CUSTOMER ACCOUNT TRANSFER SERVICE (ACATS). TO THAT END, THE RECEIVING BROKER-DEALER SENT THE FIRM A TRANSFER INITIATION FORM (TIF) FOR EACH OF THE TWO ACCOUNTS. IN LIGHT OF THE RESTRICTED FLAG ASSOCIATED WITH THE CUSTOMER'S BOND POSITIONS AND THE LACK OF A VALID CUSIP NUMBER, THE FIRM'S ACATS DEPARTMENT DID NOT TRANSFER ANY OF THE CUSTOMER'S BONDS. SPECIFICALLY, THE FIRM'S ACATS DEPARTMENT VALIDATED THE TIF FOR ONE OF THE ACCOUNTS BUT DELETED THE BOND POSITION FROM THE TRANSFER. AS TO THE SECOND ACCOUNT, THE FIRM'S ACATS DEPARTMENT REJECTED THE TIF ALTOGETHER, AS THE ONLY SECURITIES IN THE ACCOUNT WERE THE BONDS.

Initiated By: FINRA
Date Initiated: 12/15/2011
Docket/Case Number: [2009018521301](#)
Principal Product Type: Debt - Corporate
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought: N/A
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 12/15/2011



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

No

Sanctions Ordered:

Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THEREFORE THE FIRM IS CENSURED AND FINED \$15,000. FINE PAID IN FULL JANUARY 31, 2012.

Reporting Source:

Firm

Current Status:

Final

Allegations:

IN MARCH 2009 AN OPERATIONS EMPLOYEE AT ONE OF THE FIRM'S BRANCH OFFICES ERRONEOUSLY TENDERED CORPORATE BONDS HELD IN FIVE CUSTOMER ACCOUNTS AT THE FIRM. AFTER SEVERAL UNSUCCESSFUL ATTEMPTS BY THE FIRM TO RESCIND THE TENDER, THE FIRM CREATED A SHORT POSITION IN THE ERROR ACCOUNT OF THE BRANCH OFFICE WHERE THE TENDER HAD OCCURRED. THE FIRM DETERMINED THAT IT WAS REQUIRED TO NEITHER BUY NOR BORROW ITS CUSTOMERS' BONDS POSITIONS BASED ON A LONGSTANDING INTERPRETATION OF EXCHANGE ACT RULE 15C3-3, WHICH RELIEVES BROKER-DEALERS OF THEIR NORMAL POSSESSION AND CONTROL OBLIGATIONS UNDER CERTAIN CIRCUMSTANCES. IN THIS CASE, HOWEVER, THE FIRM WAS NOT ENTITLED TO THE BENEFIT OF THE INTERPRETATION BECAUSE THE INTERPRETATION ONLY APPLIES TO FIRM SHORT POSITIONS THAT RESULT FROM ACTUAL SHORT SALES TO CUSTOMERS. THE CUSTOMER REQUESTED THAT BOTH OF HIS ACCOUNTS BE TRANSFERRED IN THEIR ENTIRETY TO ANOTHER BROKER-DEALER VIA THE AUTOMATED CUSTOMER ACCOUNT TRANSFER SERVICE (ACATS). TO THAT END, THE RECEIVING BROKER-DEALER SENT THE FIRM A TRANSFER INITIATION FORM (TIF) FOR EACH OF THE TWO ACCOUNTS. IN LIGHT OF THE RESTRICTED FLAG ASSOCIATED WITH THE CUSTOMER'S BOND POSITIONS AND THE LACK OF A VALID CUSIP NUMBER, THE FIRM'S ACATS DEPARTMENT DID NOT TRANSFER ANY OF THE CUSTOMER'S BONDS. SPECIFICALLY, THE FIRM'S ACATS DEPARTMENT VALIDATED THE TIF FOR ONE OF THE ACCOUNTS BUT DELETED THE BOND POSITION FROM THE TRANSFER. AS TO THE SECOND ACCOUNT, THE FIRM'S ACATS DEPARTMENT REJECTED THE TIF



ALTOGETHER, AS THE ONLY SECURITIES IN THE ACCOUNT WERE THE BONDS. VIOLATIONS OF SEC EXCHANGE ACT RULE 15C3-3(B)(1). FINRA RULE 2010, NASD RULE 11870

Initiated By: FINRA

Date Initiated: 12/15/2011

Docket/Case Number: [2009018521301](#)

Principal Product Type: Debt - Corporate

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/15/2011

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THE FIRM IS CENSURED AND FINED \$15,000.

Disclosure 21 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: BROKER DEALER OPERATED A BRANCH OFFICE IN NEVADA WITHOUT FIRST OBTAINING A LICENSE FROM THE DIVISION.

Initiated By: NEVADA

Date Initiated: 11/18/2010

Docket/Case Number: 110-336-JH

URL for Regulatory Action:

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Cease and Desist

**Sought:****Other Sanction(s)/Relief****Sought:**

Resolution: Order

Resolution Date: 08/05/2011

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$1,000.00

Other Sanctions Ordered:

Sanction Details: FINES PAID IN FULL ON 8/5/11.

Reporting Source: Firm

Current Status: Final

Allegations: BROKER DEALER OPERATED A BRANCH OFFICE IN NEVADA WITHOUT FIRST REGISTERING IT

Initiated By: NEVADA SECURITIES DIVISION

Date Initiated: 11/18/2010

Docket/Case Number: I10-336-JH

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought: FINE

Resolution: Order

Resolution Date: 08/05/2011

Sanctions Ordered: Monetary/Fine \$1,000.00

Other Sanctions Ordered:



Sanction Details: FINES PAID 8/5/2011
Firm Statement FIRM WAS NOT AWARE THAT NEVADA DID NOT PERMIT UNREGISTERED HOME OFFICES WHICH ARE PERMITTED UNDER FINRA AND NYSE RULES

Disclosure 22 of 75

Reporting Source: Firm
Current Status: Final
Allegations: FAILING TO REPORT REGULATORY ACTIONS TO THE COLORADO DIVISION OF INSURANCE DURING THE PERIOD 2004-2010 IN VIOLATION OF 10-2-801(1)(A) AND 10-2-801(3), C.R.S.
Initiated By: COLORADO DIVISION OF INSURANCE
Date Initiated: 08/31/2010
Docket/Case Number: 228311
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:
Resolution: Stipulation and Consent
Resolution Date: 04/18/2011
Sanctions Ordered: Monetary/Fine \$14,300.00
Other Sanctions Ordered:
Sanction Details: \$14,300 FINE PAID VIA A CHECK ISSUED MAY 4, 2011.
Firm Statement THE FIRM WITHOUT ADMITTING OR DENYING THE ALLEGATIONS STIPULATED TO THE ORDER ISSUED APRIL 18, 2011 IMPOSING A FINE OF \$14,300.

Disclosure 23 of 75

Reporting Source: Regulator
Current Status: Final
Allegations: SECTION 17 OF THE SECURITIES EXCHANGE ACT OF 1934, SEC RULES



17A-3, 17A-4, FINRA RULE 2010, NASD RULES 2110, 3010, 3010(A), 3010(B), 3010(C), 3010(D), 3010(E), 3110: THE FIRM AND SOME OF ITS PRINCIPALS KNEW BEFORE THE FIRM HIRED TWO REGISTERED REPRESENTATIVES, WHO WERE ALSO RELATIVES THAT THE REGISTERED REPRESENTATIVES CONCENTRATED THEIR SECURITIES BUSINESS IN THE SALE OF VARIABLE ANNUITY PRODUCTS, A RELATIVELY UNTAPPED LINE OF BUSINESS AT THE FIRM. NEVERTHELESS, UPON HIRING THEM, THE FIRM AND ITS PRINCIPALS FAILED TO REVIEW AND DETERMINE WHETHER THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS GOVERNING THE SALES OF VARIABLE ANNUITY PRODUCTS. THE FIRM, ACTING THROUGH ITS RESPONSIBLE PRINCIPALS, FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE THE FIRM'S COMPLIANCE WITH APPLICABLE LAWS, RULES AND REGULATIONS WITH RESPECT TO THE VARIABLE ANNUITY BUSINESS TRANSACTED BY THE FIRM AND THE REGISTERED REPRESENTATIVES. ONE OF ITS PRINCIPALS ACTED AS HEAD OF THE FIRM'S INSURANCE DEPARTMENT AND WAS THE FIRM PRINCIPAL WHO PRIMARILY WAS RESPONSIBLE FOR ESTABLISHING AND MAINTAINING THE FIRM'S SUPERVISORY SYSTEM AND ESTABLISHING, MAINTAINING AND ENFORCING ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO INSURANCE PRODUCTS, INCLUDING VARIABLE ANNUITIES. THE FIRM, ACTING IN PART THROUGH A PRINCIPAL, FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS CONCERNING VARIABLE ANNUITIES. DURING THE REGISTERED REPRESENTATIVES' REGISTRATION WITH THE FIRM, IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS CONCERNING GENERAL SALES PRACTICES. THE FIRM, ACTING THROUGH A PRINCIPAL IN PART AND OTHER PRINCIPALS, FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE BY THE REGISTERED REPRESENTATIVES WITH APPLICABLE LAWS, RULES AND REGULATIONS CONCERNING VARIABLE ANNUITIES. ALTHOUGH THE FIRM NOMINALLY HAD RELEVANT SUPERVISORY PROCEDURES IN PLACE, THEY WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE BECAUSE THEY LACKED CLEAR DESCRIPTIONS OF PROCESSES AND STANDARDS TO FOLLOW IN PERFORMING AND SUPERVISING RELATED TASKS. FURTHER, THE FIRM LACKED MECHANISMS, SUCH AS AUTOMATED EXCEPTION REPORTS, TO MONITOR COMPLIANCE AND DETECT MISCONDUCT IN RELATED AREAS. THE FIRM, ACTING IN PART THROUGH A PRINCIPAL, FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE THE EXISTING, AMENDED, AND SUPPLEMENTAL COMPLIANCE PROCEDURES AND WRITTEN SUPERVISORY PROCEDURES



REGARDING THE REGISTERED REPRESENTATIVES' BUSINESS IN VARIABLE ANNUITIES AND THEIR GENERAL SALES PRACTICES. THE FIRM WAS RESPONSIBLE FOR SUPERVISING THE REGISTERED REPRESENTATIVES IN A MANNER REASONABLY DESIGNED TO ACHIEVE THE REGISTERED REPRESENTATIVES' COMPLIANCE WITH THE LAWS, RULES AND REGULATIONS PERTAINING TO THEIR SECURITIES BUSINESS, INCLUDING THE SALES OF VARIABLE ANNUITIES. THE FIRM, ACTING THROUGH ITS PRINCIPALS, KNEW OR, BASED UPON FACTS THAT WERE KNOWN AND UPON REASONABLE INQUIRY SHOULD HAVE KNOWN THAT THE REGISTERED REPRESENTATIVES WERE ENGAGING IN VARIABLE ANNUITY TRANSACTIONS IN VIOLATIONS OF SEC. FINRA AND NASD RULES AND THEIR CONDUCT WAS CAUSING CUSTOMER HARM. THE FIRM, ACTING THROUGH ITS PRINCIPALS, FAILED TO SUPERVISE THE REGISTERED REPRESENTATIVES IN A MANNER REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE LAWS, RULES AND REGULATIONS CONCERNING VARIABLE ANNUITIES, AND THE REGISTERED REPRESENTATIVES' MISCONDUCT. THE FIRM'S PRINCIPALS WERE RESPONSIBLE FOR AND DID CONDUCT PERIODIC OFFICE INSPECTIONS OF THE BRANCH OFFICE; IN ADDITION, THE FIRM COMPLIANCE DEPARTMENT CONDUCTED AN INSPECTION ANNUALLY AND THE FIRM'S OFFICE INSPECTIONS FAILED TO DETECT THAT THE REGISTERED REPRESENTATIVES ROUTINELY ENGAGED IN MISCONDUCT, AND (CONT. IN COMMENT SECTION)

Initiated By: FINRA
Date Initiated: 02/02/2011
Docket/Case Number: [2008012738002](#)
Principal Product Type: Annuity(ies) - Variable
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought: N/A
Resolution: Decision & Order of Offer of Settlement
Resolution Date: 09/10/2012
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? Yes



Sanctions Ordered:	Censure Monetary/Fine \$375,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED AND FINED \$375,000. FINE PAID IN FULL ON SEPTEMBER 19, 2012.
Regulator Statement	FAILED TO RETAIN AND REVIEW THE RELATED CORRESPONDENCE. THE FIRM, ACTING THROUGH A PRINCIPAL, HAD SUFFICIENT INFORMATION AT THE TIME THE REGISTERED REPRESENTATIVES APPLIED TO AND WERE HIRED BY THE FIRM TO INDICATE REASONABLY THAT THE REGISTERED REPRESENTATIVES HAD A HISTORY OF CUSTOMER COMPLAINTS, INCLUDING PENDING CUSTOMER COMPLAINTS, AND THAT THE REGISTERED REPRESENTATIVES MADE MATERIAL MISREPRESENTATIONS CONCERNING THE PENDING CUSTOMER COMPLAINTS TO THE FIRM, INCLUDING ON INITIAL AND AMENDED FORM U4S INVOLVING THE SALE OF VARIABLE ANNUITIES. THE FIRM, ACTING THROUGH A PRINCIPAL, FAILED TO MAKE REASONABLE INQUIRY TO RESOLVE THE INCONSISTENCIES IN THE REGISTERED REPRESENTATIVES' REPRESENTATIONS TO THE FIRM CONCERNING CUSTOMER COMPLAINTS THAT WERE PENDING WHEN THEY WERE HIRED, CUSTOMER COMPLAINTS RECEIVED BY THE FIRM WITHIN THE FIRST YEAR OF THE REGISTERED REPRESENTATIVES' ASSOCIATION, THE AMENDED FORM U5 FILED BY THE REGISTERED REPRESENTATIVES' FORMER FIRM, AND THE REGULATORY DETERMINATIONS OF CERTAIN STATES NOT TO ALLOW THE REGISTERED REPRESENTATIVES TO REGISTER. THE FIRM FAILED TO MAINTAIN ADEQUATE BOOKS AND RECORDS CAUSING WILLFUL VIOLATIONS OF SECTION 17 OF THE EXCHANGE ACT AND RULES 17A-3 AND 17A-4.
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Reporting Source:	Firm
Current Status:	Final
Allegations:	THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE LAWS RULES AND REGULATIONS CONCERNING VARIABLE ANNUITIES AND GENERAL SALES PRACTICE EVEN THOUGH THIS WAS NEVER NOTED AS AN ISSUE IN ANY ANNUAL EXAMINATION CONDUCTED BY THE NYSE, NASD OR FINRA AND THE FIRM DID HAVE WSP'S. THE FIRM FAILED TO MAINTAIN RECORDS IT DID NOT KNOW EXISTED ON A REPS PERSONAL EMAIL ACCOUNT OR WERE MAILED BY A REP IN VIOLATION OF THE FIRMS POLICIES. FINRA ALLEGES A FAILURE TO ADEQUATELY SUPERVISE TWO



REPS. THESE ALLEGATIONS INCLUDE VIOLATIONS OF SECTION 17 OF THE SECURITIES EXCHANGE ACT OF 1934, SEC RULES 17A-3, 17A-4, FINRA RULE 2010, NASD RULES 2110, 3010, 3010(A), 3010(B), 3010(C), 3010(D), 3010(E), 3110

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 02/02/2011

Docket/Case Number: [2008012738002](#)

Principal Product Type: Annuity(ies) - Variable

Other Product Type(s): MUTUAL FUNDS, UIT'S AND CLOSED END FUNDS

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 09/10/2012

Sanctions Ordered: Censure
Monetary/Fine \$375,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$360,000 PLUS JOINT AND SEVERAL LIABILITY FOR \$15,000.

Firm Statement THE FIRM SETTLED THE CASE WITHOUT ADMITTING OR DENYING THE ALLEGATIONS ON SEPTEMBER 10, 2012 FOR A FINE OF \$360,000 PLUS \$15,000 JOINT AND SEVERAL WITH TWO EMPLOYEES.

Disclosure 24 of 75

Reporting Source: Firm

Current Status: Final

Allegations: THE CONNECTICUT INSURANCE DEPT. ALLEGED THAT WEDBUSH FAILED TO NOTIFY THE INSURANCE DEPT. OF ADMINISTRATIVE ACTIONS AGAINST THE FIRM THAT HAD BEEN REPORTED ON CRD.

Initiated By: STATE OF CONNECTICUT INSURANCE DEPARTMENT

Date Initiated: 12/06/2010

Docket/Case Number: FC 10-179



Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:
Resolution: Consent
Resolution Date: 12/29/2010
Sanctions Ordered: Monetary/Fine \$1,500.00
Other Sanctions Ordered:
Sanction Details: THE FIRM PAID A FINE OF \$1,500.00 ON DEC. 28, 2010.
Firm Statement WEDBUSH NEITHER ADMITTED OR DENIED THE ALLEGATIONS BUT AGREED TO PAY THE \$1,500 FINE ON DEC 28, 2010.

Disclosure 25 of 75

Reporting Source: Regulator
Current Status: Final
Allegations: SEC RULES 10B-10, 605 OF REGULATION NMS, NASD RULES 2110, 6230(A) AND (C)(8), 6955(A) - WEDBUSH SECURITIES INC. FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF EXECUTION TIME AND FAILED TO REPORT TO TRACE THE CORRECT TRADE TIME FOR TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF NASD RULES 6230(A) AND (C)(8) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF NASD RULE 2110. THE FIRM TRANSMITTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA; THE FIRM INCORRECTLY REPORTED THE ORDER TYPE CODE; FAILED TO SUBMIT A ROUTE REPORT, REPORTED AN INCORRECT ORDER ENTRY TIME AND INCORRECTLY SUBMITTED A CANCELLATION FLAG. THE FIRM PROVIDED INCORRECT WRITTEN INFORMATION TO ITS CUSTOMERS; THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER ITS CORRECT CAPACITY IN TRANSACTIONS; WHEN IT ACTED AS PRINCIPAL FOR ITS OWN ACCOUNT, IT FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THE CORRECT REPORTED TRADE PRICE; AND FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS



CUSTOMER ITS CORRECT CAPACITY IN TRANSACTIONS AND THE CORRECT REPORTED TRADE PRICE. THE FIRM MADE AVAILABLE A REPORT ON THE COVERED ORDERS IN NATIONAL MARKET SYSTEM SECURITIES IT RECEIVED FOR EXECUTION FROM ANY PERSON AND FOR ONE MONTH, THE REPORT INCLUDED INCORRECT INFORMATION AS TO THE NUMBER OF COVERED ORDERS EXECUTED BY THE FIRM.

Initiated By: FINRA

Date Initiated: 10/20/2010

Docket/Case Number: [2008013225201](#)

Principal Product Type: Other

Other Product Type(s): TRACE-ELIGIBLE SECURITIES,NATIONAL MARKET SYSTEM SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/20/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$28,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$28,000.

Reporting Source: Firm

Current Status: Final

Allegations: SEC RULES 10B-10, 605 OF REGULATION NMS, NASD RULES 2110, 6230(A) AND (C)(8), 6955(A) - WEDBUSH SECURITIES INC. FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF



EXECUTION TIME AND FAILED TO REPORT TO TRACE THE CORRECT TRADE TIME FOR TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF NASD RULES 6230(A) AND (C)(8) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF NASD RULE 2110. THE FIRM TRANSMITTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA; THE FIRM INCORRECTLY REPORTED THE ORDER TYPE CODE; FAILED TO SUBMIT A ROUTE REPORT, REPORTED AN INCORRECT ORDER ENTRY TIME AND INCORRECTLY SUBMITTED A CANCELLATION FLAG. THE FIRM PROVIDED INCORRECT WRITTEN INFORMATION TO ITS CUSTOMERS; THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER ITS CORRECT CAPACITY IN TRANSACTIONS; WHEN IT ACTED AS PRINCIPAL FOR ITS OWN ACCOUNT, IT FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THE CORRECT REPORTED TRADE PRICE; AND FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER ITS CORRECT CAPACITY IN TRANSACTIONS AND THE CORRECT REPORTED TRADE PRICE. THE FIRM MADE AVAILABLE A REPORT ON THE COVERED ORDERS IN NATIONAL MARKET SYSTEM SECURITIES IT RECEIVED FOR EXECUTION FROM ANY PERSON AND FOR ONE MONTH, THE REPORT INCLUDED INCORRECT INFORMATION AS TO THE NUMBER OF COVERED ORDERS EXECUTED BY THE FIRM.

Initiated By: FINRA

Date Initiated: 10/20/2010

Docket/Case Number: [2008013225201](#)

Principal Product Type: Other

Other Product Type(s): TRACE-ELIGIBLE SECURITIES, NATIONAL MARKET SYSTEM SECURITIES

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/20/2010

Sanctions Ordered: Censure
Monetary/Fine \$28,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED

TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS:
 THEREFORE, THE FIRM IS CENSURED AND FINED \$28,000.

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Reporting Source:	Regulator
Current Status:	Final
Allegations:	FINRA RULES 2010, 8210, NASD RULES 2110, 3010: THE FIRM, ACTING THROUGH ITS CHIEF COMPLIANCE OFFICER, FAILED APPROXIMATELY 37 TIMES, IN CONNECTION WITH APPROXIMATELY 14 FINRA EXAMINATIONS, TO PROVIDE WRITTEN INFORMATION AND RECORDS TIMELY, COMPLETELY OR AT ALL TO PROVIDE REQUESTS FOR INFORMATION MADE BY FINRA. THE FIRM, ACTING THROUGH ITS CHIEF COMPLIANCE OFFICER, FAILED TO ESTABLISH, IMPLEMENT, AND MAINTAIN A SUPERVISORY SYSTEM, AND TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASD RULE 8210 OR FINRA RULE 8210, AS APPLICABLE.
Initiated By:	FINRA
Date Initiated:	09/20/2010
Docket/Case Number:	2009020701901
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	04/09/2013
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$75,000.00

**Other Sanctions Ordered:**

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED AND FINED \$75,000. FINE PAID ON MAY 7, 2013.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA RULES 2010, 8210, NASD RULES 2110, 3010: THE FIRM, ACTING THROUGH ITS FORMER CHIEF COMPLIANCE OFFICER, FAILED APPROXIMATELY 37 TIMES, IN CONNECTION WITH APPROXIMATELY 14 FINRA EXAMINATIONS, TO PROVIDE WRITTEN INFORMATION AND RECORDS TIMELY, COMPLETELY OR AT ALL TO PROVIDE REQUESTS FOR INFORMATION MADE BY FINRA. THE FIRM, ACTING THROUGH ITS FORMER CHIEF COMPLIANCE OFFICER, FAILED TO ESTABLISH, IMPLEMENT, AND MAINTAIN A SUPERVISORY SYSTEM, AND TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASD RULE 8210 OR FINRA RULE 8210, AS APPLICABLE.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 09/20/2010

Docket/Case Number: [2009020701901](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 04/09/2013

Sanctions Ordered: Censure
Monetary/Fine \$75,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF

FINDINGS; THEREFORE IT IS CENSURED AND FINED \$75,000.

Disclosure 27 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: MSRB RULE G-14: THE FIRM FAILED TO REPORT THE CORRECT TIME OF TRADE TO THE REAL-TIME TRANSACTION SYSTEM (RTRS) IN REPORTS OF TRANSACTIONS IN MUNICIPAL SECURITIES. THE FIRM FAILED TO REPORT INFORMATION REGARDING PURCHASE AND SALE TRANSACTIONS EFFECTED IN MUNICIPAL SECURITIES TO THE RTRS IN THE MANNER PRESCRIBED BY RULE G-14 RTRS PROCEDURES AND THE RTRS USERS MANUAL. SPECIFICALLY, THE FIRM FAILED TO REPORT INFORMATION ABOUT SUCH TRANSACTIONS WITHIN THE 15 MINUTES OF TIME OF TRADE TO AN RTRS PORTAL.

Initiated By: FINRA

Date Initiated: 08/19/2010

Docket/Case Number: [2009018642201](#)

Principal Product Type: Other

Other Product Type(s): MUNICIPAL SECURITIES

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 08/19/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS.



THEREFORE THE FIRM IS CENSURED AND FINED \$15,000.

Reporting Source: Firm

Current Status: Final

Allegations: FROM 1/1/2009-3/31/2009 THE FIRM FAILED TO REPORT THE CORRECT TIME ON 142 REPORTS TO "RTRS" THE FIRM ALSO FAILED TO REPORT 141 TRADES WITHIN THE REQUIRED 15 MINUTES.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 07/14/2010

Docket/Case Number: [2009018642201](#)

Principal Product Type: Debt - Municipal

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 08/19/2010

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$15,000 FOR 142 TRADES REPORTED WITH AN INCORRECT TIME AND 141 TRADES REPORTED AFTER THE REQUIRED 15 MINUTES

Firm Statement THE FIRM WAS CENSURED AND FINED \$15,000 FOR 142 TRADES REPORTED WITH AN INCORRECT TIME AND 141 TRADES REPORTED AFTER THE REQUIRED 15 MINUTES

Disclosure 28 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: NASDAQ RULES 2110, 3010 - WEDBUSH SECURITIES' SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WERE NOT



REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS (INCLUDING NASD NOTICE TO MEMBERS 04-66) AND NASDAQ RULES CONCERNING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND FRIVOLOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS.

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 06/29/2010

Docket/Case Number: 2008015287001

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/29/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS: THEREFORE, THE FIRM IS CENSURED, FINED \$10,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING COMPLIANCE WITH NASD NOTICE TO MEMBERS 04-66 WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NASDAQ REVIEW COUNCIL.

Reporting Source: Firm

Current Status: Final

Allegations: THE FIRMS WRITTEN SUPERVISORY PROCEDURES WERE NOT



REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASDAQ RULES CONCERNING CLEARLY ERRONEOUS TRANSACTION COMPLAINTS.

Initiated By: THE NASDAQ STOCK MARKET

Date Initiated: 06/29/2010

Docket/Case Number: 2008015287001

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE AND UNDEERTAKING

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/29/2010

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED \$10,000 AND REQUIRED TO REVISE THE WRITTEN SUPERVISORY PROCEDURES REGARDING NASD NOTICE TO MEMBERS 04-66

Firm Statement WITHOUT ADMITTING OR DENYING THE FINDINGS THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS

Disclosure 29 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: NASD RULES 2110, 2111(A), 2320 - WEDBUSH SECURITIES, INC. FAILED TO EXECUTE ORDERS FULLY AND PROMPTLY. IN TRANSACTIONS FOR OR WITH A CUSTOMER, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS.

Initiated By: FINRA

Date Initiated: 05/19/2010

Docket/Case Number: [2009017658001](#)

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/19/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$10,000. THE FIRM MADE RESTITUTION TOTALING \$581.38.

Reporting Source: Firm

Current Status: Final

Allegations: NASD RULES 2110, 2111(A), 2320 - WEDBUSH SECURITIES, INC. FAILED TO EXECUTE ORDERS FULLY AND PROMPTLY. IN TRANSACTIONS FOR OR WITH A CUSTOMER, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS.

Initiated By: FINRA

Date Initiated: 05/19/2010

Docket/Case Number: [2009017658001](#)



Principal Product Type:	Equity - OTC
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	FINE
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	05/19/2010
Sanctions Ordered:	Censure Monetary/Fine \$10,000.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINES \$10,000.00. THE FIRM MADE RESTITUTION PAYMENTS TOTALLING %581.38
Firm Statement	WITHOUT ADMITTING OR DENYING THE FINDINGS THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND FINDINGS.

Disclosure 30 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: SEC RULE 604 OF REGULATION NMS, NASD RULE 6955(A) - WEDBUSH MORGAN SECURITIES INC. FAILED TO DISPLAY IMMEDIATELY CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES IN ITS PUBLIC QUOTATION, WHEN EACH SUCH ORDER WAS AT A PRICE THAT WOULD HAVE IMPROVED THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY, OR WHEN THE ORDER WAS PRICED EQUAL TO THE FIRM'S BID OR OFFER AND THE NATIONAL BEST BID OR OFFER FOR EACH SUCH SECURITY, AND THE SIZE OF THE ORDER REPRESENTED MORE THAN A DE MINIMIS CHANGE IN RELATION TO THE SIZE ASSOCIATED WITH THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY. THE FIRM FAILED TO TRANSMIT REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS); IT FAILED TO TRANSMIT TO OATS DESK REPORTS, CANCEL/REPLACE REPORTS AND ONE EXECUTION REPORT. THE FIRM TRANSMITTED NEW ORDER REPORTS THAT CONTAINED INACCURATE TIMESTAMPS, ONE NEW ORDER REPORT CONTAINED THE INCORRECT DATE, AND ONE CANCEL/REPLACE REPORT CONTAINED AN INACCURATE TIMESTAMP. THE FIRM TRANSMITTED REPORTS TO OATS FOR NON-REPORTABLE ORDER EVENTS AND FAILED TO TIMELY REPORT ONE ROE TO OATS.

Initiated By: NASDAQ STOCK MARKET



Date Initiated: 04/30/2010
Docket/Case Number: 2008012314901
Principal Product Type: Other
Other Product Type(s): NASDAQ SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 04/30/2010
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Censure
 Monetary/Fine \$13,500.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$13,500.

Reporting Source: Firm
Current Status: Final
Allegations: FROM JULY 1 TO SEPTEMBER 30 2007 THE FIRM FAILED TO IMMEDIATELY DISPLAY 24 ORDER IN VIOLATION OF SEC RULE 604 OF REG NMS. FROM JULY 1 TO SEPTEMBER 30, 2007 THE FIRM FAILED TO TRANSMIT 65 ROE'S TO OATS IN VIOLATION OF NASD RULE 6955(A).
Initiated By: THE NASDAQ STOCK MARKET
Date Initiated: 04/30/2010
Docket/Case Number: 20080123149-01
Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/30/2010

Sanctions Ordered: Censure
Monetary/Fine \$13,500.00

Other Sanctions Ordered:

Sanction Details: CENSURED AND FINED \$13,500

Firm Statement THE FIRM ACCEPTED AND CONSENTED, WITHOUT ADMITTING OR DENYING THE FINDINGS NOTED ABOVE.

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Reporting Source: Regulator

Current Status: Final

Appealed To and Date Appeal Filed: **02/12/2010**NOTICE GIVEN TO CONTEST MINOR RULE PLAN FINE IMPOSED ON JANUARY 27, 2010.
08/31/2010APPEAL OF \$3,500 MINOR RULE PLAN DISMISSED;

Allegations: **01/27/2010**MINOR RULE PLAN FINE ISSUED. RULE VIOLATION: VIOLATION OF NYSE ARCA EQUITIES RULE 10.2(D) FOR THE FAILURE OF WEDBUSH MORGAN SECURITIES INC. TO PROVIDE TIMELY RESPONSES TO NYSE REGULATION'S LETTERS REQUESTING DOCUMENTS AND INFORMATION WHICH IMPEDED AND DELAYED FOUR REGULATORY INVESTIGATIONS.FINE IMPOSED: \$3,500.00

Initiated By: NYSE ARCA, INC.

Date Initiated: 01/27/2010

Docket/Case Number: NYSE ARCA MINOR RULE

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:



Other Sanction(s)/Relief Sought:

Resolution: Decision
Resolution Date: 01/27/2010
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Monetary/Fine \$3,500.00
Other Sanctions Ordered:

Sanction Details: **01/27/2010**RULE VIOLATION: VIOLATION OF NYSE ARCA EQUITIES RULE 10.2(D) FOR THE FAILURE OF WEDBUSH MORGAN SECURITIES INC. TO PROVIDE TIMELY RESPONSES TO NYSE REGULATION'S LETTERS REQUESTING DOCUMENTS AND INFORMATION WHICH IMPEDED AND DELAYED FOUR REGULATORY INVESTIGATIONS.
 08/31/2010APPEAL OF \$3,500 MINOR RULE PLAN DISMISSED; \$3,500 FINE PAID.BY ORDER DATED AUGUST 31, 2010, FOLLOWING NOTICE DATED AUGUST 16, 2010 BY WEDBUSH SECURITIES INC. ("WEDBUSH") WITHDRAWING ITS APPEAL, FINRA HEARING OFFICER MAUREEN A. DELANEY DISMISSED THE APPEAL BY WEDBUSH OF A \$3,500 MINOR RULE PLAN FINE THAT HAD BEEN ISSUED BY NYSE REGULATION ON JANUARY 27, 2010 TO WEDBUSH FOR ITS VIOLATION OF NYSE ARCA EQUITIES RULE 10.2(D) FOR ITS FAILURE TO PROVIDE TIMELY RESPONSES TO NYSE REGULATION'S LETTERS REQUESTING DOCUMENTS AND INFORMATION WHICH IMPEDED AND DELAYED FOUR REGULATORY INVESTIGATIONS.
 FINE PAID: \$3,500 CHECK IN PAYMENT OF THE FINE RECEIVED AT NYSE REGULATION ON AUGUST 25, 2010.

FINE IMPOSED: \$3,500.00

Regulator Statement **02/12/2010**NOTICE GIVEN TO CONTEST MINOR RULE PLAN FINE IMPOSED ON JANUARY 27, 2010.
 08/31/2010APPEAL OF \$3,500 MINOR RULE PLAN DISMISSED; \$3,500 FINE PAID.BY ORDER DATED AUGUST 31, 2010, FOLLOWING NOTICE DATED AUGUST 16, 2010 BY WEDBUSH SECURITIES INC. ("WEDBUSH") WITHDRAWING ITS APPEAL, FINRA HEARING OFFICER MAUREEN A. DELANEY DISMISSED THE APPEAL BY WEDBUSH OF A \$3,500 MINOR RULE PLAN FINE THAT HAD BEEN ISSUED BY NYSE REGULATION ON JANUARY 27, 2010 TO WEDBUSH FOR ITS VIOLATION OF



NYSE ARCA EQUITIES RULE 10.2(D) FOR ITS FAILURE TO PROVIDE TIMELY RESPONSES TO NYSE REGULATION'S LETTERS REQUESTING DOCUMENTS AND INFORMATION WHICH IMPEDED AND DELAYED FOUR REGULATORY INVESTIGATIONS.
FINE PAID: \$3,500 CHECK IN PAYMENT OF THE FINE RECEIVED AT NYSE REGULATION ON AUGUST 25, 2010.

Reporting Source: Firm

Current Status: Final

Allegations: **01/27/2010**MINOR RULE PLAN FINE ISSUED. RULE VIOLATION: VIOLATION OF NYSE ARCA EQUITIES RULE 10.2(D) FOR THE FAILURE OF WEDBUSH MORGAN SECURITIES INC. TO PROVIDE TIMELY RESPONSES TO NYSE REGULATION'S LETTERS REQUESTING DOCUMENTS AND INFORMATION WHICH IMPEDED AND DELAYED FOUR REGULATORY INVESTIGATIONS.FINE IMPOSED: \$3,500.00

Initiated By: NYSE ARCA, INC.

Date Initiated: 01/27/2010

Docket/Case Number: NYSE ARCA MINOR RULE

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 01/27/2010

Sanctions Ordered: Monetary/Fine \$3,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM AGREED TO PAY A FINE OF \$3,500.00 AFTER ORIGINALLY CONTESTING THE IMPOSITION OF THE FINE BUT DETERMINING IT DID NOT MAKE FINANCIAL SENSE TO CONTINUE WITH THE PROCESS.

Firm Statement THE FIRM AGREED TO PAY A FINE OF \$3,500.00 ON AUGUST 16, 2010 AFTER ORIGINALLY CONTESTING THE IMPOSITION OF THE FINE BUT DETERMINING IT DID NOT MAKE FINANCIAL SENSE TO CONTINUE WITH THE PROCESS.

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Reporting Source: Regulator

Current Status: Final

Allegations: NASD RULES 4632(B), 6130(D)(4), 6130(D)(7) - WEDBUSH MORGAN SECURITIES REPORTED LAST SALE REPORTS OF TRANSACTIONS IN DESIGNATED SECURITIES TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) IT SHOULD NOT HAVE REPORTED. THE FIRM FAILED TO REPORT TO THE FNTRF THE CORRECT TIME OF EXECUTION AND THE CORRECT SYMBOL INDICATING THE CAPACITY IN WHICH IT EXECUTED THE TRANSACTIONS.

Initiated By: FINRA

Date Initiated: 04/06/2010

Docket/Case Number: [2008014175801](#)

Principal Product Type: Other

Other Product Type(s): DESIGNATED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/06/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$10,000.



Reporting Source: Firm

Current Status: Final

Allegations: WEDBUSH REPORTED LAST SALE TRANSACTION TO THE FNTRF IT SHOULD NOT HAVE REPORTED. THE FIRM FAILED TO REPORT TO THE FNTRF THE CORRECT TIME AND SYMBOL INDICATING THE CAPACITY IN WHICH IT EXECUTED THE TRASACTIONS.

Initiated By: FINRA

Date Initiated: 04/06/2010

Docket/Case Number: [2008014175801](#)

Principal Product Type: Other

Other Product Type(s): DESIGNATED SECURITIES

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/06/2010

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THE FIRM WAS FINED \$10,000 AND CENSURED.

Disclosure 33 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: MSRB RULES G-17, G-30(A) - WEDBUSH MORGAN SECURITIES INC. SOLD MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT TO CUSTOMERS AT AN AGGREGATE PRICE (INCLUDING ANY MARKDOWN OR MARKUP) THAT WAS NOT FAIR AND REASONABLE, TAKING INTO CONSIDERATION ALL RELEVANT FACTORS, INCLUDING THE BEST JUDGMENT OF THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER AS TO THE FAIR MARKET VALUE OF THE SECURITIES AT THE TIME OF THE TRANSACTION AND OF ANY SECURITIES EXCHANGED OR TRADED IN CONNECTION WITH THE



TRANSACTION, THE EXPENSE INVOLVED IN EFFECTING THE TRANSACTION, THE FACT THAT THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER IS ENTITLED TO A PROFIT, AND THE TOTAL DOLLAR AMOUNT OF THE TRANSACTION.

Initiated By: FINRA

Date Initiated: 03/15/2010

Docket/Case Number: [2008014737701](#)

Principal Product Type: Debt - Municipal

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/15/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$12,500.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$12,500. THE FIRM MADE RESTITUTION TOTALING \$5,986.26 TO CUSTOMERS.

Reporting Source: Firm

Current Status: Final

Allegations: MSRB RULES G-17, G-30(A) - WEDBUSH MORGAN SECURITIES INC. SOLD MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT TO CUSTOMERS AT AN AGGREGATE PRICE (INCLUDING ANY MARKDOWN OR MARKUP) THAT WAS NOT FAIR AND REASONABLE, TAKING INTO CONSIDERATION ALL RELEVANT FACTORS, INCLUDING THE BEST JUDGMENT OF THE BROKER.

DEALER OR MUNICIPAL SECURITIES DEALER AS TO THE FAIR MARKET VALUE OF THE SECURITIES AT THE TIME OF THE TRANSACTION AND OF ANY SECURITIES EXCHANGED OR TRADED IN CONNECTION WITH THE TRANSACTION, THE EXPENSE INVOLVED IN EFFECTING THE TRANSACTION, THE FACT THAT THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER IS ENTITLED TO A PROFIT, AND THE TOTAL DOLLAR AMOUNT OF THE TRANSACTION.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 03/15/2010

Docket/Case Number: [2008014737701](#)

Principal Product Type: Debt - Municipal

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/15/2010

Sanctions Ordered: Censure
Monetary/Fine \$12,500.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS: THEREFORE, THE FIRM IS CENSURED AND FINED \$12,500. THE FIRM MADE RESTITUTION TOTALING \$5,986.26 TO CUSTOMERS.

Disclosure 34 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: WEDBUSH FAILED TO PROVIDE THE BUREAU WITH DOCUMENTS NEEDED TO REVIEW THE PENDING AGENT APPLICATION OF AN INDIVIDUAL WHO WAS PREVIOUSLY A REGISTERED REPRESENTATIVE OF WEDBUSH. WEDBUSH FAILED TO COOPERATE WITH THE BUREAU AFTER NUMEROUS REQUESTS AND A SUMMARY ORDER WAS ISSUED TO PROVIDE SUCH DOCUMENTS.

Initiated By: NEW JERSEY BUREAU OF SECURITIES



Date Initiated: 02/24/2009
Docket/Case Number: N/A
URL for Regulatory Action:
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought: \$20,000 CIVIL AND ADMINISTRATIVE PENALTY AND FILING OF REQUESTED DOCUMENTS.
Resolution: Consent
Resolution Date: 03/31/2010
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Monetary/Fine \$20,000.00
Other Sanctions Ordered: FILING OF REQUESTED DOCUMENTS.
Sanction Details: BY REPEATEDLY FAILING TO PROVIDE THE REQUIRED DOCUMENTATION, WEDBUSH WILLFULLY VIOLATED OR WILLFULLY FAILED TO COMPLY WITH ANY PROVISION OF THE LAW OR THE RULES; BY FAILING TO PROVIDE THE REQUIRED DOCUMENTATION AS ORDERED, WEDBUSH VIOLATED A BUREAU ORDER; AND BY FAILING TO PAY THE CIVIL MONETARY PENALTY AS ORDERED, WEDBUSH VIOLATED A BUREAU ORDER ALL OF WHICH ARE GROUNDS PURSUANT TO N.J.S.A. 49:3-58(A)(2)(II) TO REVOKE THE BROKER-DEALER REGISTRATION OF WEDBUSH.
Regulator Statement WEDBUSH PRODUCED THE DOCUMENTS REQUESTED AFTER SECOND SUMMARY ORDER WAS ISSUED.

Reporting Source: Firm
Current Status: Final
Allegations: WEDBUSH WAS ALLEDGED TO FAIL TO PROVIDE THE BUREAU WITH DOCUMENTS IN ORDER TO REVIEW THE AGENT APPLICATION OF AN INDIVIDUAL WHO WAS PREVIOUSLY A REGISTERED REPRESENTATIVE OF THE FIRM. WEDBUSH FAILED TO RESPOND TO SUBSEQUENT REQUESTS



AND A SUMMARY ORDER WAS SENT.
Initiated By: NEW JERSEY BUREAU OF SECURITIES
Date Initiated: 02/24/2009
Docket/Case Number: N/A
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought: FILING OF REQUESTED DOCUMENTS
Resolution: Consent
Resolution Date: 03/31/2010
Sanctions Ordered: Monetary/Fine \$20,000.00
Other Sanctions Ordered: PROVIDE MISSING DOCUMENTS
Sanction Details: WEDBUSH WAS FINED \$20,000 AND PROVIDED THE MISSING DOCUMENTS.
Firm Statement WEDBUSH SIGNED THE CONSENT ORDER 3/25/2010 AND THE BUREAU SIGNED IT ON 3/31/2010.

Disclosure 35 of 75

Reporting Source: Regulator
Current Status: Final
Allegations: MSRB RULE G-14 - WEDBUSH MORGAN SECURITIES INC. FAILED TO REPORT INFORMATION REGARDING PURCHASE AND SALE TRANSACTIONS EFFECTED IN MUNICIPAL SECURITIES TO THE REAL-TIME TRANSACTION REPORTING SYSTEM (RTRS) IN THE MANNER PRESCRIBED BY RULE G-14 RTRS PROCEDURES AND THE RTRS USERS MANUAL; THE FIRM FAILED TO REPORT INFORMATION ABOUT SUCH TRANSACTIONS WITHIN 15 MINUTES OF TIME OF TRADE TO AN RTRS PORTAL. THE FIRM DOUBLE-REPORTED TRANSACTIONS IN MUNICIPAL SECURITIES TO THE RTRS AND REPORTED AN INCORRECT TIME OF EXECUTION TO THE RTRS IN REPORTS OF TRANSACTIONS IN MUNICIPAL SECURITIES.

Initiated By: FINRA
Date Initiated: 03/30/2009
Docket/Case Number: 2008013711501



Principal Product Type: Debt - Municipal

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/30/2009

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$7,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,000.

Reporting Source: Firm

Current Status: Final

Allegations: FROM JANUARY 1 THROUGH MARCH 31, 2008 THE FIRM FAILED TO REPORT 171 TRADES WITHIN THE REQUIRED 15 MINUTES ON RTRS. THE FIRM ALSO REPORTED 78 TRADES TWICE IN ERROR AND THE WRONG TIME ON 11 TRADES IN SEPARATE VIOLATIONS OF MSRB RULE G-14.

Initiated By: FINRA

Date Initiated: 02/18/2009

Docket/Case Number: 2008013711501

Principal Product Type: Debt - Municipal

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure



Other Sanction(s)/Relief Sought: FINE
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 03/30/2009
Sanctions Ordered: Censure
 Monetary/Fine \$7,000.00
Other Sanctions Ordered:
Sanction Details: CENSURE AND FINE IN THE AMOUNT OF \$7,000

Disclosure 36 of 75

Reporting Source: Regulator
Current Status: Final
Allegations: SEC RULE 17A-3(A)(6), NASD RULES 2110, 3110, 6230 - WEDBUSH MORGAN INACCURATELY REPORTED THE TIME OF EXECUTION FOR TRANSACTIONS IN TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)-ELIGIBLE SECURITIES. IN TRANSACTIONS INVOLVING CORPORATE BONDS, THE FIRM RECORDED A SINGLE TIME ENTRY ON ITS ORDER MEMORANDA AND WAS UNABLE TO DETERMINE WHETHER THE TIME ENTERED REPRESENTED THE TIME OF THE ORDER, THE ENTRY TIME OR THE EXECUTION TIME.
Initiated By: FINRA
Date Initiated: 12/03/2008
Docket/Case Number: 2007007400101
Principal Product Type: Debt - Corporate
Other Product Type(s): TRACE-ELIGIBLE SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 12/03/2008



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

No

Sanctions Ordered:

Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500.

Reporting Source:

Firm

Current Status:

Final

Allegations:

VIOLATION OF SEC RULE 17A-3(A)(6), NASD RULES 2110.3110.6230 INACCURATELY REPORTING 60 TRANSACTIONS TO TRACE INACCURATE TIME STAMPS ON 39 TRADES

Initiated By:

FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated:

12/03/2008

Docket/Case Number:

2007007400101

Principal Product Type:

Debt - Corporate

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution:

Acceptance, Waiver & Consent(AWC)

Resolution Date:

12/03/2008

Sanctions Ordered:

Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. A CENSURE AND FINE IN THE AMOUNT OF \$7,500.

Disclosure 37 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: NASD RULE 6955(A) - WEDBUSH MORGAN SECURITIES FAILED TO TIMELY REPORT TO THE ORDER AUDIT TRAIL SYSTEM (OATS) REPORTABLE ORDER EVENTS (ROES) FOR SECONDARY FIRM MARKET PARTICIPANT IDENTIFIERS.

Initiated By: FINRA

Date Initiated: 11/24/2008

Docket/Case Number: [2006007031101](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/24/2008

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$25,000.

Reporting Source: Firm

Current Status: Final



Allegations: THE FIRM FAILED TO TIMELY REPORT ROE'S FOR FIVE MPID'S ON 19 BUSINESS DAYS FROM SEPTEMBER 1, 2006 THROUGH AUGUST 31, 2007. THE LATE ROE'S REPRESENTED ABOUT TWO PERCENT OF ALL ROE'S AND A VIOLATION OF NASD RULE 6955(A).

Initiated By: FINRA

Date Initiated: 10/06/2008

Docket/Case Number: [2006007031101](#)

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/24/2008

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

Other Sanctions Ordered:

Sanction Details: CENSURE AND FINE IN THE AMOUNT OF \$25,000

Disclosure 38 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: SEC RULE 604 OF REGULATION NMS, NASD RULES 2110, 5430 (CURRENTLY 4632), MSRB RULE G-14 - WEDBUSH MORGAN SECURITIES, INC. FAILED TO DISPLAY IMMEDIATELY CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES IN ITS PUBLIC QUOTATION WHEN EACH SUCH ORDER WAS AT A PRICE THAT WOULD HAVE IMPROVED THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY; OR WHEN THE ORDER WAS PRICED EQUAL TO THE FIRM'S BID OR OFFER AND THE NATIONAL BEST BID OR OFFER FOR EACH SUCH SECURITY, AND THE SIZE OF THE ORDER REPRESENTED MORE THAN A DE MINIMIS CHANGE IN RELATION TO THE SIZE ASSOCIATED WITH THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY. THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH THE NASD/NASDAQ TRADE REPORTING FACILITY (NNTRF), FORMERLY THE NASDAQ MARKET CENTER, LAST SALE



REPORTS OF TRANSACTIONS IN NASDAQ NATIONAL MARKET/SMALLCAP (NNM/SC) SECURITIES. THE FIRM ALSO INCORRECTLY DESIGNATED AS ".SLD" THROUGH THE NNTRF LAST SALE REPORTS OF TRANSACTIONS IN NNM/SC EQUITY SECURITIES REPORTED TO THE NNTRF WITHIN 90 SECONDS OF EXECUTION. THE FIRM FAILED TO REPORT INFORMATION REGARDING TRANSACTIONS EFFECTED IN MUNICIPAL SECURITIES TO THE REAL-TIME REPORTING SYSTEM (RTRS) IN THE MANNER PRESCRIBED BY RULE G-14 RTRS PROCEDURES AND THE RTRS USERS MANUAL; THE FIRM FAILED TO REPORT INFORMATION ABOUT SUCH TRANSACTIONS WITHIN 15 MINUTES OF TIME OF TRADE TO AN RTRS PORTAL.

Initiated By: FINRA

Date Initiated: 09/24/2008

Docket/Case Number: [2006004292301](#)

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s): NASDAQ SECURITIES, MUNICIPAL SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/24/2008

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$24,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS: THEREFORE, THE FIRM IS CENSURED AND FINED \$24,000.

Reporting Source: Firm

Current Status: Final
Allegations: FINRA ACCUSED THE FIRM OF VIOLATING SEC RULE 604 IN FAILING TO IMMEDIATELY DISPLAY 52 CUSTOMER LIMIT ORDERS, RULE 5430 AND 2110 FOR HAVING FAILED TO REPORT 109 ORDERS WITHIN 90 SECONDS AND MSRB RULE G14 FOR HAVING NOT REPORTED 90 MUNICIPAL SECURITIES WITHIN 15 MINUTES
Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY
Date Initiated: 03/31/2007
Docket/Case Number: 20060042923-01
Principal Product Type: Equity - OTC
Other Product Type(s): MUNICIPAL SECURITIES
Principal Sanction(s)/Relief Sought: Censure
Other Sanction(s)/Relief Sought: FINE
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 09/24/2008
Sanctions Ordered: Censure
 Monetary/Fine \$24,000.00
Other Sanctions Ordered:
Sanction Details: FINED \$5,000 FOR RULE 604 VIOLATION, \$14,000 FOR THE 5430 AND 2110 VIOLATIONS AND \$5,000 FOR THE G-14 VIOLATIONS
Firm Statement THE FIRM AND FINRA SETTLED THE CASES AND THE FIRM NEITHER ADMITTED NOR DENIED THE FINDINGS.

Disclosure 39 of 75

Reporting Source: Regulator
Current Status: Final
Allegations: SEC RULES 17A-3, 605 OF REGULATION NMS, NASD RULES 2110, 3010, 3110, 6955 - WEDBUSH MORGAN SECURITIES, INC. MADE AVAILABLE A REPORT ON THE COVERED ORDERS IN NATIONAL MARKET SYSTEM SECURITIES THAT IT RECEIVED FOR EXECUTION FROM ANY PERSON THAT INCLUDED ONE INSTANCE OF THE FIRM'S FAILING TO PROPERLY CLASSIFY AN ORDER AND PUBLISHED INCORRECT ORDER EXECUTION INFORMATION ON OTHER ORDERS. THE FIRM REPORTED TO THE ORDER

AUDIT TRAIL SYSTEM (OATS) EXECUTION REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FIRM FAILED TO SHOW THE CORRECT TIME OF ENTRY ON BROKERAGE ORDER MEMORANDA AND FAILED TO SHOW THE CORRECT PRICE OF EXECUTION ON ONE BROKERAGE ORDER MEMORANDUM. THE FIRM FAILED TO PREPARE AND MAINTAIN A PROPRIETARY TRADING LEDGER REFLECTING FIRM-WIDE POSITIONS ON A REAL-TIME BASIS. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES RELATING TO SEC RULE 606, "REGULAR AND RIGOROUS" REVIEWS OF ORDERS ROUTED TO AND EXECUTED BY OTHER PARTIES AND TRADING HALTS. THE FIRM'S SUPERVISORY SYSTEM DID NOT INCLUDE WRITTEN SUPERVISORY PROCEDURES PROVIDING FOR IDENTIFICATION OF PERSONS RESPONSIBLE FOR SUPERVISION WITH RESPECT TO APPLICABLE RULES; A STATEMENT OF SUPERVISORY STEPS TO BE TAKEN BY THE IDENTIFIED PERSONS; A STATEMENT AS TO HOW OFTEN SUCH PERSONS SHOULD TAKE SUCH STEPS; AND A STATEMENT AS TO HOW THE COMPLETION OF THE STEPS INCLUDED SHOULD BE DOCUMENTED.

Initiated By: FINRA
Date Initiated: 09/24/2008
Docket/Case Number: [2006005288101](#)
Principal Product Type: Other
Other Product Type(s): NATIONAL MARKET SYSTEM SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 09/24/2008
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Censure
 Monetary/Fine \$22,500.00
Other Sanctions Ordered:



Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$22,500.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA ACCUSED THE FIRM OF VIOLATION OF SEC RULE 605 REPORTING 6 TRADES INCORRECTLY, NASD RULE 6955 REPORTING 11 TRADES INCORRECTLY TO OATS, SEC RULE 17A-3 AND NASD RULE 3110 INCORRECT TIME ON 4 TICKETS AND NASD RULES 2110 AND 3010 FOR NOT HAVING SUFFICIENT WSP'S REGARDING SEC RULE 605

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 06/27/2006

Docket/Case Number: 20060052881-01

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/24/2008

Sanctions Ordered: Censure
Monetary/Fine \$22,500.00

Other Sanctions Ordered:

Sanction Details: \$5,000 FOR 605 VIOLATION; \$5,000 FOR 6955 VIOLATION; \$7,500 FOR THE 17A-S AND 3110 VIOLATION AND \$5,000 FOR THE 2110 AND 3010 VIOLATION.

Firm Statement THE FIRM AND FINRA SETTLED THE MATTER AND THE FIRM NEITHER ADMITTED NOR DENIED THE FINDINGS

Disclosure 40 of 75

Reporting Source: Regulator



Current Status: Final

Allegations: NASD RULE 6955 - WEDBUSH MORGAN SECURITIES INC. TRANSMITTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FIRM INCORRECTLY SUBMITTED A NEW ORDER AND EXECUTION REPORT INSTEAD OF AN ORDER EXECUTION REPORT; SUBMITTED INCORRECT DESTINATION CODES, SUBMITTED ORDER EXECUTION REPORTS INSTEAD OF ORDER ROUTE REPORTS AND SUBMITTED INCORRECT CAPACITY CODES.

Initiated By: FINRA

Date Initiated: 09/24/2008

Docket/Case Number: 2007010439501

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/24/2008

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500.

Reporting Source: Firm

Current Status: Final



Allegations: THE FIRM WAS ACCUSED OF VIOLATING NASD RULE 6955 IN HAVING REPORTED TO OATS 58 REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 10/28/2007

Docket/Case Number: 20070104395-01

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/24/2008

Sanctions Ordered: Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM AGREED TO PAY A FINE OF \$7,500 FOR VIOLATIONS OF NASD RULE 6955 REPORTING 58 TRADES TO OATS INCORRECTLY.

Firm Statement THE FIRM AND FINRA SETTLED THE MATTER AND THE FIRM NEITHER ADMITTED NOR DENIED THE FINDINGS

Disclosure 41 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: WEDBUSH MORGAN SECURITIES HAS BEEN CHARGED WITH VIOLATING ARTICLE V, SECTION 4(E) OF THE EXCHANGE CONSTITUTION, ALONG WITH EXCHANGE RULES 31 AND 320 BY MAKING MATERIAL MISSTATEMENTS TO THE EXCHANGE, FAILING TO RESPOND TO EXCHANGE REQUESTS IN A TIMELY FASHION, AND FAILING TO SUPERVISE ITS CROP IN DEALINGS WITH THE EXCHANGE.
04/03/2009STIPULATION OF FACTS AND CONSENT TO PENALTY FILLED BY NYSE REGULATION'S DIVISION OF ENFORCEMENT AND PENDING CONSENTED TO FINDINGS:FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF

ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, WEDBUSH MORGAN SECURITIES, INC. STIPULATED THAT DURING THE PERIOD OF JUNE 2002 THROUGH FEBRUARY 2003, IT 1.VIOLATED ARTICLE V, SECTION 4(E)OF THE AMERICAN STOCK EXCHANGE CONSTITUTION, IN THAT THE FIRM THROUGH ONE OF ITS FORMER EMPLOYEES MADE MISSTATEMENTS TO THE AMERICAN STOCK EXCHANGE BY REPRESENTING THAT IT HAD TAKEN CORRECTIVE ACTION IN RESPONSE TO EXAMINATION FINDINGS WHEN IN FACT WEDBUSH HAD NOT TAKEN SUCH CORRECTIVE ACTION.2. VIOLATED AMERICAN STOCK EXCHANGE RULE 31, IN THAT WEDBUSH THROUGH ONE OF ITS FORMER EMPLOYEES FAILED TO COOPERATE AND TIMELY COMPLY WITH SPECIFIC DEADLINES SET BY THE AMERICAN STOCK EXCHANGE TO PROVIDE INFORMATION RESPONSIVE TO EXCHANGE REQUESTS MADE IN CONNECTION WITH AN ONGOING EXCHANGE INVESTIGATION.3. VIOLATED AMERICAN STOCK EXCHANGE RULE 320(C) IN THAT IT FAILED TO FAILED TO IMPLEMENT ADEQUATE CONTROLS, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, TO VERIFY THAT ALL NECESSARY STEPS WERE TAKEN BY ITS COMPLIANCE REGISTERED OPTIONS PRINCIPAL, WHO WAS ALSO THE FIRM'S COMPLIANCE DIRECTOR, TO COMPLY ACCURATELY AND WITHIN THE TIME FRAMES REQUIRED TO AMERICAN STOCK EXCHANGE REQUESTS FOR INFORMATION AND/OR DOCUMENTATION MADE IN CONNECTION WITH AN ONGOING AMERICAN STOCK EXCHANGE INVESTIGATION.STIPULATED SANCTION:CENSURE AND A FINE IN THE AMOUNT OF \$15,000.

Initiated By: AMERICAN STOCK EXCHANGE

Date Initiated: 07/14/2008

Docket/Case Number: 03-29/ HBD# 09-AMEX-05

Principal Product Type: No Product

Other Product Type(s): OPTIONS

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Decision

Resolution Date: 05/05/2009

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

**Sanction Details:**

****4/8/09 (AMENDED DECISION 4/14/09)****

DECISION NO. 09-AMEX-05 ISSUED BY NYSE AMEX HEARING BOARD
 DECISION:VIOLATED ARTICLE V, SECTION 4(E) OF AMEX
 CONSTITUTION IN THAT ITS THEN COMPLIANCE REGISTERED OPTIONS
 PRINCIPAL ("CROP") MADE MISSTATEMENTS TO AMEX BY REPRESENTING
 THAT IT HAD TAKEN CORRECTIVE ACTION IN RESPONSE TO EXAMINATION
 FINDINGS WHEN IT HAD NOT; VIOLATED AMEX RULE 31 IN THAT ITS THEN
 CROP FAILED TO COOPERATE AND TIMELY COMPLY WITH SPECIFIC
 DEADLINES SET BY AMEX TO PROVIDE INFORMATION RESPONSIVE TO
 AMEX REQUESTS MADE IN CONNECTION WITH ONGOING AMEX
 INVESTIGATION; VIOLATED AMEX RULE 320(C) BY FAILING TO IMPLEMENT
 ADEQUATE CONTROLS, INCLUDING A SEPARATE SYSTEM OF FOLLOW UP
 AND REVIEW, TO VERIFY THAT ALL NECESSARY STEPS WERE TAKEN BY
 ITS THEN CROP, WHO WAS ALSO THE FIRM'S COMPLIANCE DIRECTOR, TO
 COMPLY ACCURATELY AND WITHIN THE TIME FRAMES REQUIRED TO
 AMEX REQUESTS FOR INFORMATION AND/OR DOCUMENTATION MADE IN
 CONNECTION WITH AN ONGOING AMEX INVESTIGATION - CONSENT TO
 CENSURE AND \$15,000 FINE.

Regulator Statement

****05/05/2009**** THE DECISION BECAME FINAL AS OF THE CLOSE OF
 BUSINESS ON MAY 4, 2009.

Reporting Source:

Firm

Current Status:

Final

Allegations:

WEDBUSH MORGAN SECURITIES HAS BEEN CHARGED WITH VIOLATING
 ARTICLE V, SECTION 4(E) OF THE EXCHANGE CONSTITUTION, ALONG
 WITH EXCHANGE RULES 31 AND 320 BY MAKING MATERIAL
 MISSTATEMENTS TO THE EXCHANGE, FAILING TO RESPOND TO
 EXCHANGE REQUESTS IN A TIMELY FASHION, AND FAILING TO
 SUPERVISE ITS CROP IN DEALINGS WITH THE EXCHANGE.

****04/03/2009****STIPULATION OF FACTS AND CONSENT TO PENALTY FILLED
 BY NYSE REGULATION'S DIVISION OF ENFORCEMENT AND PENDING
 CONSENTED TO FINDINGS:FOR THE SOLE PURPOSE OF SETTLING THIS
 DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF
 LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS
 OR FINDINGS, WEDBUSH MORGAN SECURITIES, INC. STIPULATED THAT
 DURING THE PERIOD OF JUNE 2002 THROUGH FEBRUARY 2003, IT
 1.VIOLATED ARTICLE V, SECTION 4(E)OF THE AMERICAN STOCK
 EXCHANGE CONSTITUTION, IN THAT THE FIRM THROUGH ONE OF ITS
 FORMER EMPLOYEES MADE MISSTATEMENTS TO THE AMERICAN STOCK
 EXCHANGE BY REPRESENTING THAT IT HAD TAKEN CORRECTIVE ACTION
 IN RESPONSE TO EXAMINATION FINDINGS WHEN IN FACT WEDBUSH HAD
 NOT TAKEN SUCH CORRECTIVE ACTION.2. VIOLATED AMERICAN STOCK

EXCHANGE RULE 31, IN THAT WEDBUSH THROUGH ONE OF ITS FORMER EMPLOYEES FAILED TO COOPERATE AND TIMELY COMPLY WITH SPECIFIC DEADLINES SET BY THE AMERICAN STOCK EXCHANGE TO PROVIDE INFORMATION RESPONSIVE TO EXCHANGE REQUESTS MADE IN CONNECTION WITH AN ONGOING EXCHANGE INVESTIGATION.3. VIOLATED AMERICAN STOCK EXCHANGE RULE 320(C) IN THAT IT FAILED TO FAILED TO IMPLEMENT ADEQUATE CONTROLS, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, TO VERIFY THAT ALL NECESSARY STEPS WERE TAKEN BY ITS COMPLIANCE REGISTERED OPTIONS PRINCIPAL, WHO WAS ALSO THE FIRM'S COMPLIANCE DIRECTOR, TO COMPLY ACCURATELY AND WITHIN THE TIME FRAMES REQUIRED TO AMERICAN STOCK EXCHANGE REQUESTS FOR INFORMATION AND/OR DOCUMENTATION MADE IN CONNECTION WITH AN ONGOING AMERICAN STOCK EXCHANGE INVESTIGATION.STIPULATED SANCTION:CENSURE AND A FINE IN THE AMOUNT OF \$15,000.

Initiated By: AMERICAN STOCK EXCHANGE

Date Initiated: 07/14/2008

Docket/Case Number: 03-29/HBD# 09-AMEX-05

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Stipulation and Consent

Resolution Date: 05/05/2009

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: **4/8/09 (AMENDED DECISION 4/14/09)** DECISION NO. 09-AMEX-05 ISSUED BY NYSE AMEX HEARING BOARD DECISION:VIOLATED ARTICLE V, SECTION 4(E) OF AMEX CONSTITUTION IN THAT ITS THEN COMPLIANCE REGISTERED OPTIONS PRINCIPAL ("CROP") MADE MISSTATEMENTS TO AMEX BY REPRESENTING THAT IT HAD TAKEN CORRECTIVE ACTION IN RESPONSE TO EXAMINATION FINDINGS WHEN IT HAD NOT; VIOLATED AMEX RULE 31 IN THAT ITS THEN CROP FAILED TO COOPERATE AND TIMELY COMPLY WITH SPECIFIC DEADLINES SET BY AMEX TO PROVIDE INFORMATION RESPONSIVE TO AMEX REQUESTS MADE IN CONNECTION



WITH ONGOING AMEX INVESTIGATION; VIOLATED AMEX RULE 320(C) BY FAILING TO IMPLEMENT ADEQUATE CONTROLS, INCLUDING A SEPARATE SYSTEM OF FOLLOW UP AND REVIEW, TO VERIFY THAT ALL NECESSARY STEPS WERE TAKEN BY ITS THEN CRO, WHO WAS ALSO THE FIRM'S COMPLIANCE DIRECTOR, TO COMPLY ACCURATELY AND WITHIN THE TIME FRAMES REQUIRED TO AMEX REQUESTS FOR INFORMATION AND/OR DOCUMENTATION MADE IN CONNECTION WITH AN ONGOING AMEX INVESTIGATION - CONSENT TO CENSURE AND \$15,000 FINE.

Disclosure 42 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: NASD BY-LAWS ARTICLE V, SECTION 3, NASD RULES 2110, 3010(B) - WEDBUSH MORGAN SECURITIES, INC. FILED FORMS U5 CONCERNING REGISTERED PERSONS UNTIMELY BECAUSE THEY WERE NOT FILED WITHIN 30 DAYS OF THE DATE OF TERMINATION. THE FIRM'S SUPERVISORY PROCEDURES REQUIRED DEPARTMENT MANAGERS TO SUBMIT A COMPLETED FORM U5 FOR ANY TERMINATED EMPLOYEE TO THE FIRM'S BUSINESS CONDUCT DEPARTMENT WITHIN FIVE DAYS OF THE TERMINATION DATE WHICH WAS THEN RESPONSIBLE FOR FILING THE FORM U5 WITH THE APPROPRIATE REGULATORY AUTHORITY BUT THE FIRM FAILED TO ENFORCE THESE PROCEDURES WITH RESPECT TO SOME OF THE EMPLOYEES IT TERMINATED.

Initiated By: NASD

Date Initiated: 03/29/2007

Docket/Case Number: [E022005016901](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/29/2007

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$18,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$18,000.

Reporting Source: Firm

Current Status: Final

Allegations: DURING THE TIME PERIOD FROM JANUARY 1, 2003 TO AUGUST 3, 2005, THE FIRM FILED 27 FORM U-5'S UNTIMELY, 5 OF THE 27 FORM U-5'S WERE FILED 1 OR 2 DAYS LATE. THE FIRM'S SUPERVISORY PROCEDURES WERE FOLLOWED INEFFECTIVELY IN THAT A FEW DEPARTMENT MANAGERS DID NOT ADVISE THE FIRM'S BUSINESS CONDUCT DEPARTMENT WHICH WAS RESPONSIBLE FOR FILING THE FORM U-5.

Initiated By: NASD

Date Initiated: 03/29/2007

Docket/Case Number: E0220050169-01

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/29/2007

Sanctions Ordered: Censure
Monetary/Fine \$18,000.00

Other Sanctions Ordered:



Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED AND AGREED TO PAY AN AWC AMOUNT OF \$18,000.

Disclosure 43 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: NASD RULE 5520(E) - WEDBUSH MORGAN SECURITIES, INC. WAS REGISTERED WITH NASD AS AN INTERMARKET TRADING SYSTEM/COMPUTER ASSISTED EXECUTION SYSTEM MARKET MAKER AND FAILED TO MAINTAIN CONTINUOUS TWO-SIDED QUOTATIONS IN THE ABSENCE OF THE GRANT OF AN EXCUSED WITHDRAWAL OR A FUNCTIONAL EXCUSED WITHDRAWAL BY NASD.

Initiated By: NASD

Date Initiated: 01/09/2007

Docket/Case Number: 2005003069501

Principal Product Type: Other

Other Product Type(s): UNKNOWN TYPE OF SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/09/2007

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DNEYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS FINED \$5,000.



Reporting Source: Firm

Current Status: Final

Allegations: NASD ALLEGED THAT THE FIRM DID NOT CONTINUOUSLY MAINTAIN TWO-SIDED QUOTATIONS IN THE ABSENCE OF THE GRANT OF AN EXCUSED WITHDRAWAL OR A FUNCTIONAL EXCUSED WITHDRAWAL BY THE SRO DURING THE PERIODS OF JULY 1 THROUGH SEPTEMBER 30, 2005 AND FROM APRIL 1 THROUGH JUNE 30, 2006. DURING THE ABOVE-MENTIONED PERIODS, THE FIRM WAS REGISTERED WITH NASD AS AN INTERMARKET TRADING SYSTEM/COMPUTER ASSISTED EXECUTION SYSTEM ("ITS/CAES") MARKET MAKER.

Initiated By: NASD

Date Initiated: 12/07/2006

Docket/Case Number: 2005003069501

Principal Product Type: Other

Other Product Type(s): UNKNOWN TYPE OF SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/09/2007

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED AND AGREED TO PAY AN AWC AMOUNT OF \$5,000.

Firm Statement PLEASE NOTE THAT NASDAQ AUTOMATICALLY REMOVES MARKET MAKER QUOTES WHENEVER THERE ARE ANY CORPORATE ACTIONS (I.E. PAYMENT OF DIVIDENDS), AND WHEN THIS HAPPENS MARKET MAKERS ARE CONSIDERED TO BE IN AN EXCUSED STATE IF NO NEW QUOTES ARE POSTED. DURING THE PERIOD OF JULY 1 THROUGH SEPTEMBER 30, 2005, THE NASDAQ SYSTEM REMOVED THE FIRM'S QUOTES BECAUSE OF DIVIDENDS BEING PAID BY THE ETF'S THE FIRM MADE MARKETS IN. SINCE THE FIRM NEVER UPDATED ITS QUOTES IN THE ETF'S IN QUESTION, THE FIRM WAS EXCUSED AND WITHDRAWN AS A MARKET MAKER IN THESE SECURITIES THUS ELIMINATING THE NEED TO POST TWO-SIDED QUOTES.

**Disclosure 44 of 75**

Reporting Source: Regulator

Current Status: Final

Allegations: SEC RULE 200(G), NASD RULES 2110, 3010, 3110, 4632, 6130(D), 6955(A) - WEDBUSH MORGAN SECURITIES FAILED TO SUBMIT REQUIRED INFORMATION TO OATS; FAILED TO MARK WHETHER CUSTOMER ORDERS WERE LONG OR SHORT SALES TRANSACTIONS; FAILED TO MAINTAIN A DAILY TRADING LEDGER SHOWING THE FIRM'S POSITIONS AND PROPRIETARY TRANSACTIONS EXECUTED IN CONNECTION WITH CUSTOMER TRADES REPORTED TO ACT AS RISKLESS PRINCIPAL; THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES RELATING TO PERSONNEL REGISTRATION AND QUALIFICATIONS, ORDER HANDLING AND EXECUTION, ANTI-INTIMIDATION AND COORDINATION, TRADE REPORTING, CUSTOMER SALES TRANSACTIONS, SHORT SALES TRANSACTIONS, OATS, BEST EXECUTION, BOOKS AND RECORDS; INCORRECTLY REPORTED ITS CAPACITY FOR TRANSACTIONS IN NASDAQ NATIONAL MARKET SECURITIES THROUGH THE NASDAQ MARKET CENTER; REPORTED A TRANSACTION AS RISKLESS PRINCIPAL WHEN THE TRANSACTION WAS NOT EXECUTED AT THE SAME PRICE; FAILED TO REPORT TO THE NASDAQ MARKET CENTER THE CORRECT SYMBOL INDICATING WHETHER THE FIRM EXECUTED TRANSACTIONS IN ELIGIBLE SECURITIES IN A PRINCIPAL OR AGENCY CAPACITY; INCORRECTLY REPORTED A LONG SALE AS A SHORT EXEMPT SALE TO THE NASDAQ MARKET CENTER; REPORTED TRADE CANCELLATIONS TO THE NATIONAL MARKET CENTER THAT SHOULD NOT HAVE BEEN REPORTED; AND EXECUTED SALE ORDERS AND FAILED TO PROPERLY MARK THE ORDER TICKETS AS LONG OR SHORT FOR THE ORDERS.

Initiated By: NASD

Date Initiated: 01/09/2007

Docket/Case Number: [2005000251801](#)

Principal Product Type: Other

Other Product Type(s): NASDAQ NATIONAL MARKET SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/09/2007

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$35,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$35,000.

Reporting Source: Firm

Current Status: Final

Allegations: IN THE RESULT OF THE 2004 AND 2005 TRADING AND MARKET MARKING SURVEILLANCE EXAMINATIONS, NASD ALLEGED THAT THE FIRM IS IN VIOLATION OF MARKETPLACE RULES 4632 AND 6130, NASD RULE 3110, SEC RULE 200(G), INEFFECTIVE SUPERVISORY PROCEDURES, AND OATS VIOLATIONS.

Initiated By: NASD

Date Initiated: 01/09/2007

Docket/Case Number: [2005000251801](#)

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/09/2007

Sanctions Ordered: Censure



Monetary/Fine \$35,000.00

Other Sanctions Ordered:

Sanction Details:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED AND AGREED TO PAY AN AWC AMOUNT OF \$35,000.00.

Firm Statement

PLEASE NOTE THAT THE FIRM HAS CONDUCTED AN INTERNAL INVESTIGATION IN REGARDS TO THE MATTER. THE FIRM IS EVALUATING THE ADOPTION OF NEW INFORMATION SYSTEMS FOR PROPRIETARY TRADING OPERATIONS. IN ADDITION, THE FIRM HAS AMENDED ITS WRITTEN SUPERVISORY PROCEDURES, SPECIFICALLY IN THE AREAS OF MULTIPLE MPIDS, BEST EXECUTION, TRADE REPORTING, AND OTHER REGULATORY OBLIGATIONS.

Disclosure 45 of 75

Reporting Source:

Regulator

Current Status:

Final

Allegations:

SECTION 17(A) OF THE EXCHANGE ACT, RULES 17A-3(A)(6) AND 17A-4(B)(1) THEREUNDER, NASD RULES 2110, 3010(A) AND (B), 3110 - RESPONDENT MEMBER FACILITATED OR PERMITTED LATE TRADING IN THAT IT ENTERED AND EFFECTED TRANSACTIONS IN MUTUAL FUNDS AFTER THE CLOSE OF TRADING AND WITHOUT REGARD TO THE TIME THE ORDERS WERE RECEIVED, THE ORDERS WERE EXECUTED AND PRICED AT THE NET ASSET VALUE (NAV) CALCULATED BY THE RELEVANT FUND AS OF THE CLOSE OF TRADING ON THE SAME DAY THEY WERE RECEIVED BY THE FIRM. THE FINDINGS STATED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN OR ENFORCE SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES REASONABLY DESIGNED TO PREVENT AND DETECT LATE TRADING. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO CREATE RECORDS REFLECTING THE TIME OR RECEIPT OF ORDERS TO PURCHASE OR SELL MUTUAL FUNDS DURING A PERIOD OF TIME.

Initiated By:

NASD

Date Initiated:

12/14/2006

Docket/Case Number:

[E022004022901](#)

Principal Product Type:

Mutual Fund(s)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:



Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/14/2006

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$150,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, WMS CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS CENSURED, FINED \$150,000 AND REQUIRED TO REVIEW AND UPDATE SUPERVISORY PROCEDURES AND PRACTICES FOR COMPLIANCE REGARDING LATE TRADING AND RECORD KEEPING.

Reporting Source: Firm

Current Status: Final

Allegations: THE NASD ALLEGED THAT THE FIRM EFFECTED LATE TRADING IN MUTUAL FUNDS AFTER MARKET CLOSE. DESPITE THE TIME WHEN THE ORDERS WERE RECEIVED, THE ORDERS WERE EXECUTED AND PRICED AT THE NET ASSET VALUE AS OF THE CLOSE OF TRADING ON THE SAME DAY THEY WERE RECEIVED BY THE FIRM. ALSO, THE NASD ALLEGED THAT THE FIRM'S SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES WERE INEFFECTIVE TO PREVENT LATE MUTUAL FUND TRADING, AND THAT THE FIRM DID NOT KEEP SUFFICIENT RECORDS THAT REFLECTED THE TIME OF RECEIPT OF ORDERS TO PURCHASE OR SELL MUTUAL FUNDS.

Initiated By: NASD

Date Initiated: 12/14/2006

Docket/Case Number: E0220040229-01

Principal Product Type: Mutual Fund(s)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:**Other Sanction(s)/Relief Sought:****Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 12/14/2006**Sanctions Ordered:** Censure
Monetary/Fine \$150,000.00**Other Sanctions Ordered:** ON FEBRUARY 15, 2007, A LETTER WAS SENT TO THE NASD WHICH CERTIFIED TO THE NASD THAT THE FIRM HAS REVIEWED ITS PROCEDURES REGARDING LATE MUTUAL FUND TRADING AND RECORDKEEPING AND HAS SYSTEMS AND PROCEDURES IN PLACE THAT ARE REASONABLE DESIGNED TO ENSURE COMPLIANCE WITH LAWS, REGULATIONS, AND RULES CONCERNING THOSE MATTERS, INCLUDING BUT NOT LIMITED TO SEC RULE 22C-1(A), PROMULGATED UNDER THE INVESTMENT COMPANY ACT OF 1940.**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED AND AGREED TO PAY AN AWC AMOUNT OF \$150,000. AND IS REQUIRED TO REVIEW AND UPDATE SUPERVISORY PROCEDURES REGARDING LATE TRADING AND RECORD KEEPING.**Firm Statement** THE FIRM HAS STRENGTHENED ITS SUPERVISORY PROCEDURES AND RECORD-KEEPING REQUIREMENTS FOR MUTUAL FUND.**Disclosure 46 of 75****Reporting Source:** Firm**Current Status:** Final**Allegations:** DURING THE TIME PERIOD FROM JANUARY 1, 2003 THRU AUGUST 3, 2005, THE FIRM ALLEGEDLY FILED 27 FORM U-5S LATE. A FEW DEPARTMENT MANAGERS MAY HAVE NOT PROMPTLY ADVISED THE FIRM'S BUSINESS CONDUCT DEPARTMENT WHICH WAS RESPONSIBLE FOR FILING THE U-5.**Initiated By:** NASD**Date Initiated:** 03/29/2007**Docket/Case Number:** E0220050169-01**Principal Product Type:** No Product**Other Product Type(s):****Principal Sanction(s)/Relief**

Sought:**Other Sanction(s)/Relief Sought:****Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 03/29/2007**Sanctions Ordered:** Censure
Monetary/Fine \$18,000.00**Other Sanctions Ordered:****Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED AND AGREED TO PAY AN AWC AMOUNT OF \$18,000.**Disclosure 47 of 75****Reporting Source:** Regulator**Current Status:** Final**Allegations:** NASD RULES 2110, 3010, 3360, 6130(B), 6180, 6620(A), 6620(A)(5) - RESPONDENT MEMBER FAILED TO ACCEPT OR DECLINE IN THE NASDAQ MARKET CENTER (NMC), WITHIN 20 MINUTES AFTER EXECUTION, TRANSACTIONS IN ELIGIBLE SECURITIES THAT RESPONDENT, AS THE ORDER ENTRY FIRM, WAS REQUIRED TO ACCEPT OR DECLINE. THE COMPLAINT ALLEGES THAT THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH THE NMC LAST SALE REPORTS OF TRANSACTIONS IN OTC EQUITY SECURITIES AND FAILED TO DESIGNATE THROUGH THE NMC SUCH LAST SALE REPORTS AS LATE. THE COMPLAINT ALSO ALLEGES THAT THE FIRM SUBMITTED TO NASD ITS SHORT INTEREST POSITION REPORT FOR A SPECIFIC PERIOD OF TIME THAT INCLUDED A SHORT INTEREST POSITION OF 1,200,300 SHARES OF A STOCK WHEN THE FIRM'S ACTUAL SHORT INTEREST DURING THAT TIME, WAS ZERO SHARES. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE SHORT INTEREST REPORTING REQUIREMENTS.**Initiated By:** NASD**Date Initiated:** 07/25/2006**Docket/Case Number:** [2004100023501](#)**Principal Product Type:** Equity - OTC**Other Product Type(s):**



Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 12/20/2006

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$32,500.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$32,500.

Reporting Source: Firm

Current Status: Final

Allegations: FROM JANUARY 1, 2005 THROUGH APRIL 30, 2005, THE FIRM DID NOT ACCEPT OR DECLINE IN THE NASDAQ MARKET CENTER ("NMC"), WITHIN TWENTY MINUTES AFTER EXECUTION TRANSACTIONS IN ELIGIBLE SECURITIES, A VIOLATION OF NASD MARKETPLACE RULE 6130(B). FURTHERMORE, THE FIRM DID NOT TRANSMIT LAST SALE REPORTS OF OTC EQUITY SECURITIES WITHIN 90 SECONDS AFTER EXECUTION NOR DESIGNATE SUCH REPORTS AS LATE DURING THE SAME PERIOD. IN ADDITION, THE SHORT INTEREST REPORT ON ONE STOCK WAS REPORTED INCORRECTLY IN APRIL 2004. THE FIRM'S SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES WERE INEFFECTIVE TO ACHIEVE COMPLETE COMPLIANCE WITH THE SHORT INTEREST REPORTING REQUIREMENTS.

Initiated By: NASD

Date Initiated: 07/25/2006

Docket/Case Number: [2004100023501](#)



Principal Product Type: Equity - OTC
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Decision & Order of Offer of Settlement
Resolution Date: 12/20/2006
Sanctions Ordered: Censure
 Monetary/Fine \$32,500.00
Other Sanctions Ordered:
Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED AND AGREED TO PAY AN AWC AMOUNT OF \$32,500.
Firm Statement WITH RESPECT TO VIOLATION OF NASD RULE 6130(B), PLEASE NOTE THAT THE FIRM IS NOT RESPONSIBLE FOR TECHNICAL ISSUE CAUSED BY AN OUTSIDE VENDOR ON ITS SYSTEM. UPON DISCOVERY OF THE ISSUE, THE FIRM TOOK IMMEDIATE ACTION WITH THE OUTSIDE VENDOR AND HAS SINCE THEN CORRECTED THE ISSUE.

Disclosure 48 of 75

Reporting Source: Regulator
Current Status: Final
Allegations: NASD RULES 2110, 2320, 5430(A), 5430(A)(4) - WEDBUSH MORGAN SECURITIES, INC. FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NASDAQ NATIONAL MARKET (NNM) AND NASDAQ SMALL CAP (SC) SECURITIES; THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NNM SECURITIES AND FAILED TO DESIGNATE THROUGH ACT SUCH LAST SALE REPORTS AS LATE; INCORRECTLY DESIGNATED AS ".T" THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NNM AND SC SECURITIES EXECUTED DURING NORMAL BUSINESS HOURS; INCORRECTLY DESIGNATED AS ".SLD" THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NNM AND SC SECURITIES REPORTED TO ACT WITHIN 90 SECONDS OF EXECUTION; AND, IN TRANSACTIONS FOR OR WITH A CUSTOMER, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS



CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS.

Initiated By: NASD

Date Initiated: 03/16/2006

Docket/Case Number: [2004200008602](#)

Principal Product Type: Other

Other Product Type(s): NASDAQ NATIONAL MARKET AND NASDAQ SMALL CAP SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/16/2006

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$27,500.00
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DNEYING THE ALLEGATIONS, WEDBUSH BORGAN CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$27,500, AND ORDERED TO PAY \$742.22, PLUS INTEREST, IN RESTITUTION TO INVESTORS NO LATER THAN 120 DAYS AFTER ACCEPTANCE OF THIS AWC BY THE NAC. ANY UNDISTRIBUTED RESTITUTION AND INTEREST SHALL BE FORWARDED TO THE APPROPRIATE ESCHEAT, UNCLAIMED PROPERTY OR ABANDONED PROPERTY FUND FOR THE STATE IN WHICH THE CUSTOMER LAST RESIDED.

Reporting Source: Firm

Current Status: Final

Allegations: NASD RULES 2110, 2320, 5430(A), 5430(A)- THE FIRM FAILED TO TRANSMIT



THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS WITHIN 90 SECONDS AFTER EXECUTION; AND IN 23 OCCASIONS FOR OR WITH A CUSTOMER, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS.

Initiated By: NASD

Date Initiated: 03/16/2006

Docket/Case Number: 20042000086-02

Principal Product Type: Other

Other Product Type(s): NASDAQ NATIONAL MARKET AND NASDAQ SMALL CAP SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/16/2006

Sanctions Ordered: Censure
Monetary/Fine \$27,500.00
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED AND AGREED TO PAY AN AWC AMOUNT OF \$27,500 (\$20,000 FOR TRADE REPORTING AND \$7,500 FOR NOT OBTAINING THE MOST FAVORABLE PRICE POSSIBLE UNDER PREVAILING MARKET CONDITIONS)AND RESTITUTION TO CLIENTS OF \$742.22 PLUS INTEREST.

Firm Statement OF THE 23 TRANSACTIONS THAT DID NOT RECEIVE THE MOST FAVORABLE PRICE POSSIBLE UNDER PREVAILING MARKET CONDITIONS, THE AVERAGE RESTITUTION WAS LESS THAN \$35.00.

Disclosure 49 of 75

Reporting Source: Regulator

Current Status: Final

Appealed To and Date Appeal Filed: **10/24/07** RESPONDENT FILED APPEAL TO NYSE BOARD OF DIRECTORS COMMITTEE FOR REVIEW, SEEKING ELIMINATION OF OR, IN THE ALTERNATIVE, A SIGNIFICANT REDUCTION IN THE PENALTY IMPOSED BY



THE NYSE HEARING BOARD IN DECISION 06-196 (APRIL 9, 2006). ENFORCEMENT FILED APPEAL TO NYSE BOARD OF DIRECTORS COMMITTEE FOR REVIEW, SEEKING REVERSAL OF THE FINDINGS OF NOT GUILTY ON CHARGES IV AND V OF THE CHARGE MEMORANDUM ISSUED BY ENFORCEMENT AGAINST RESPONDENT, AS SET FORTH IN NYSE HEARING BOARD DECISION 06-196 (APRIL 9, 2006).

Allegations:

****1/31/06****CHARGES ISSUED BY THE NYSE DIVISION OF ENFORCEMENT AND PENDING CHARGES: CHARGE I RESPONDENT, BY REASON OF THE FACTS SET FORTH IN THE STATEMENT OF FACTS AND EXPLANATION, VIOLATED NYSE RULE 410A BY FAILING TO SUBMIT ACCURATE TRADING INFORMATION THROUGH THE SUBMISSION OF ELECTRONIC BLUE SHEETS IN RESPONSE TO ONE OR MORE REQUESTS FOR SUCH INFORMATION BY THE NYSE, AND IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE II RESPONDENT, BY REASON OF THE FACTS SET FORTH IN THE STATEMENT OF FACTS AND EXPLANATION, VIOLATED NYSE RULE 401 BY FAILING TO ADHERE TO THE PRINCIPLES OF GOOD BUSINESS PRACTICE IN THE CONDUCT OF ITS BUSINESS AFFAIRS IN THAT IT SUBMITTED INACCURATE TRADING INFORMATION ON ELECTRONIC BLUE SHEETS IN RESPONSE TO ONE OR MORE REQUESTS FOR SUCH INFORMATION BY THE NYSE, AND IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE III RESPONDENT, BY REASON OF THE FACTS SET FORTH IN THE STATEMENT OF FACTS AND EXPLANATION, VIOLATED NYSE RULE 342 BY FAILING TO ESTABLISH AND MAINTAIN APPROPRIATE SYSTEMS AND PROCEDURES FOR THE SUPERVISION AND CONTROL OF AREAS RESPONSIBLE FOR COMPLYING WITH ELECTRONIC BLUE SHEET REPORTING REQUIREMENTS AND FAILING TO ESTABLISH A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW TO REASONABLY ENSURE COMPLIANCE WITH NYSE RULES RELATING TO THE PREPARATION AND SUBMISSION OF ELECTRONIC BLUE SHEETS, AND IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE IV RESPONDENT, BY REASON OF THE FACTS SET FORTH IN THE STATEMENT OF FACTS AND EXPLANATION, VIOLATED NYSE RULE 476(A)(4) BY MAKING ONE OR MORE MATERIAL MISSTATEMENTS TO THE NYSE IN RESPONSE TO ONE OR MORE REQUESTS FOR INFORMATION BY THE NYSE, AND IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A).****CONTNUED AT 13C****

Initiated By: NEW YORK STOCK EXCHANGE DIVISION OF ENFORCEMENT
Date Initiated: 01/31/2006
Docket/Case Number: HBD# 06-196
Principal Product Type: Other

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:**

Resolution: Decision

Resolution Date: 03/17/2008

Sanctions Ordered: Censure
Monetary/Fine \$200,000.00

Other Sanctions Ordered:

Sanction Details: **4/9/07** NYSE HEARING BOARD DECISION ISSUED (DECISION 06-196) (RECEIVED BY ENFORCEMENT ON APRIL 9, 2006). FINDINGS: GUILTY OF CHARGES I, II AND III. NOT GUILTY OF CHARGES IV & V. VIOLATED NYSE RULE 410A BY FAILING TO SUBMIT ACCURATE TRADING INFORMATION THROUGH THE SUBMISSION OF ELECTRONIC BLUE SHEETS IN RESPONSE TO REQUESTS FOR SUCH INFORMATION BY THE NYSE. VIOLATED NYSE RULE 401 BY FAILING TO ADHERE TO THE PRINCIPLES OF GOOD BUSINESS PRACTICE IN THE CONDUCT OF ITS BUSINESS AFFAIRS IN THAT IT SUBMITTED INACCURATE TRADING INFORMATION ON ELECTRONIC BLUE SHEETS IN RESPONSE TO REQUESTS FOR SUCH INFORMATION BY THE NYSE. VIOLATED NYSE RULE 342 BY FAILING TO ESTABLISH AND MAINTAIN APPROPRIATE SYSTEMS AND PROCEDURES FOR THE SUPERVISION AND CONTROL OF AREAS RESPONSIBLE FOR COMPLYING WITH ELECTRONIC BLUE SHEET REPORTING REQUIREMENTS AND FAILING TO ESTABLISH A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW TO REASONABLY ENSURE COMPLIANCE WITH NYSE RULES RELATING TO PREPARATION AND SUBMISSION OF ELECTRONIC BLUE SHEETS. SANCTION: A CENSURE, A FINE OF \$300,000, AND AN UNDERTAKING.

Regulator Statement

3/12/08 BOARD OF DIRECTORS, NYSE REGULATION, INC., DECISION ON REQUESTS FOR REVIEW OF NYSE HEARING BOARD DECISION 06-196 ISSUED IN THE MATTER OF WEDBUSH MORGAN SECURITIES, INC. (RECEIVED BY ENFORCEMENT ON MARCH 17, 2008). THE BOARD OF DIRECTORS RULED AS FOLLOWS: 1. NYSE HEARING BOARD DECISION 06-196 IS AFFIRMED WITH RESPECT TO THE HEARING PANEL'S FINDING THAT WEDBUSH WAS NOT GUILTY OF CHARGE V (FAILING TO COOPERATE WITH AN NYSE INVESTIGATION). 2. THE CENSURE OF WEDBUSH IS AFFIRMED. 3. THE FINE OF \$300,000 IS REDUCED TO \$200,000. 4. THE SCOPE OF THE UNDERTAKING, SET FORTH AT SECTION "A" AT PAGE 14 OF NYSE HEARING BOARD DECISION 06-196, IS MODIFIED TO REQUIRE WEDBUSH TO RETAIN AN OUTSIDE

CONSULTANT TO PERFORM A REVIEW AND PREPARE A REPORT THAT - TAKING INTO CONSIDERATION WEDBUSH'S SIZE, NUMBER OF CUSTOMERS, BUSINESS AND PRODUCT MIX, AND FINANCIAL RESOURCES - CONTAINS RECOMMENDATIONS CONCERNING THE ADEQUACY OF WEDBUSH'S REGULATORY AND COMPLIANCE RESOURCES, INCLUDING, WITHOUT LIMITATION, WEDBUSH'S CONTROLS OVER, PROCEDURES FOR AND SUPERVISION OF ITS RESPONSES TO REQUESTS FOR BLUE SHEET INFORMATION. (THE OTHER CONDITIONS OF THE UNDERTAKING, AS SET FORTH IN SECTIONS "B" THROUGH "F" AT PAGES 14-15 OF NYSE HEARING BOARD DECISION 06-196, REMAIN UNDISTURBED.) PURSUANT TO THE LETTER FROM CHIEF HEARING OFFICER PEGGY KUO TO WEDBUSH MORGAN SECURITIES, INC. DATED MARCH 18, 2008, WHICH CONSTITUTES A RULE 19D-1 FILING, THIS DECISION IS FINAL. **3/18/08** A REQUEST FOR REVIEW WAS REQUESTED. EFFECTIVE 3/17/08 THE DECISION IS FINAL

Reporting Source: Firm

Current Status: Final

Allegations: THE NYSE ALLEGED THAT THE FIRM IS SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A) FOR THE FOLLOWING REASONS: 1) SUBMITTED INACCURATE TRADING INFORMATION THROUGH THE SUBMISSION OF ELECTRONIC BLUE SHEETS, WHICH LED TO VIOLATION OF NYSE RULE 401, 2) DID NOT ESTABLISH AND MAINTAIN APPROPRIATE SYSTEMS AND PROCEDURES FOR THE SUPERVISION AND CONTROL OF AREAS RESPONSIBLE FOR COMPLYING WITH ELECTRONIC BLUE SHEETS REPORTING REQUIREMENTS AND FAILED TO ESTABLISH A SEPARATE SYSTEM TO FOLLOW-UP AND REVIEW TO ENSURE COMPLIANCE WITH NYSE RULES RELATING TO THE PREPARATION AND SUBMISSION OF ELECTRONIC BLUE SHEETS, 3) MADE ONE OR MORE MATERIAL MISSTATEMENTS TO THE NYSE IN RESPONSE TO ONE OR MORE REQUESTS FOR INFORMATION BY THE NYSE, 4) DID NOT COOPERATE WITH AN NYSE INVESTIGATION SATISFACTORILY.

Initiated By: NYSE

Date Initiated: 01/31/2006

Docket/Case Number: 06-196

Principal Product Type: Other

Other Product Type(s): ELECTRONIC BLUE SHEETS

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)



Other Sanction(s)/Relief Sought: CENSURE AND UNDERTAKING

Resolution: Decision

Resolution Date: 05/08/2008

Sanctions Ordered: Censure
Monetary/Fine \$200,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: \$200,000 FINE PAID MAY 8, 2008 AFTER BEING REDUCED IN THE APPEAL FROM THE ORIGINAL \$300,000

Firm Statement A HEARING ON THIS MATTER WAS COMPLETED IN NOV-2006. A VERDICT WAS ISSUED APRIL 2007. AN APPEAL WAS FILED AND A DECISION ON THE APPEAL RECEIVED MARCH 2008 REDUCING THE FINE AND SCOPE OF THE UNDERTAKING. THE FINE WAS PAID MAY 8, 2008 AND UNDERTAKING IS IN PROGRESS.

Disclosure 50 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: **12/12/05**CHARGES ISSUED BY NYSE DIVISION OF ENFORCEMENT AND PENDING.CHARGES: WEDBUSH MORGAN SECURITIES, INC., BY REASON OF THE FACTS SET FORTH IN THE STATEMENT OF FACTS AND EXPLANATION IN THE CHARGE MEMORANDUM DATED DECEMBER 12, 2005, VIOLATED EXCHANGE RULES 342(A) AND (B) BY FAILING TO PROVIDE FOR APPROPRIATE PROCEDURES OF SUPERVISION AND CONTROL AND TO ESTABLISH A SYSTEM OF FOLLOW-UP AND REVIEW WITH RESPECT TO THE ACTIVITIES OF ITS PARIS BRANCH OFFICE; VIOLATED EXCHANGE RULE 342(C) BY FAILING TO OBTAIN THE PRIOR CONSENT OF THE EXCHANGE FOR EACH OFFICE ESTABLISHED OTHER THAN A MAIN OFFICE; VIOLATED EXCHANGE RULE 405 BY FAILING TO USE DUE DILIGENCE TO LEARN THE ESSENTIAL FACTS RELATIVE TO EVERY CUSTOMER, SUPERVISE DILIGENTLY ALL ACCOUNTS HANDLED BY REGISTERED REPRESENTATIVES IN THE FIRM'S PARIS BRANCH OFFICE AND/OR SPECIFICALLY APPROVE THE OPENING OF ACCOUNTS PRIOR TO OR PROMPTLY AFTER THE COMPLETION OF ANY TRANSACTION FOR THE ACCOUNTS OF OR WITH A CUSTOMER; VIOLATED RULES 17A-4(B)(4) AND 17A-4(F) UNDER THE EXCHANGE ACT AND EXCHANGE RULES 440 AND 472(A)(1) BY FAILING TO REVIEW OR APPROVE WRITTEN OR ELECTRONIC COMMUNICATIONS IN CONDUCTING ITS BUSINESS AS SUCH AND FAILING TO HAVE PROCEDURES TO MAINTAIN SUCH COMMUNICATIONS IN THE



FIRM'S PARIS BRANCH OFFICE; VIOLATED RULE 17A-3(6) UNDER THE EXCHANGE ACT AND EXCHANGE RULE 440 BY FAILING TO CREATE AND MAINTAIN ORDER TICKETS AND EXECUTION REPORTS OF THE FIRM'S PARIS BRANCH OFFICE; VIOLATED EXCHANGE RULES 342(D) AND 345(A) BY FAILING TO HAVE ONE OR MORE QUALIFIED PERSONS ACCEPTABLE TO THE EXCHANGE IN CHARGE OF ONE OR MORE BRANCH OFFICES;**CONTINUED AT 13C**

Initiated By: NEW YORK STOCK EXCHANGE DIVISION OF ENFORCEMENT

Date Initiated: 12/12/2005

Docket/Case Number: HBD# 09-NYSE-01

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 01/06/2009

Sanctions Ordered: Censure
Monetary/Fine \$100,000.00

Other Sanctions Ordered:

Sanction Details: **1/06/2009**DECISION 09-NYSE-01 ISSUED BY THE NYSE HEARING BOARD. DECISION: AFTER A CONTESTED HEARING, RESPONDENT WAS FOUND TO HAVE VIOLATED NYSE RULES 342(A) AND (B) BY FAILING TO PROVIDE FOR APPROPRIATE PROCEDURES OF SUPERVISION AND CONTROL AND ESTABLISH SYSTEM OF FOLLOW-UP AND REVIEW WITH RESPECT TO ACTIVITIES OF ITS PARIS OFFICE; VIOLATED NYSE RULE 342 (C) BY FAILING TO OBTAIN PRIOR CONSENT OF NYSE FOR EACH OFFICE ESTABLISHED OTHER THAN THE MAIN OFFICE; VIOLATED NYSE RULE 405 BY FAILING TO USE DUE DILIGENCE TO LEARN ESSENTIAL FACTS RELATIVE TO EVERY CUSTOMER, SUPERVISE DILIGENTLY ALL ACCOUNTS HANDLED BY REGISTERED REPRESENTATIVES IN PARIS BRANCH OFFICE AND/OR SPECIFICALLY APPROVE OPENING OF ACCOUNTS PRIOR TO OR PROMPTLY AFTER COMPLETION OF TRANSACTION FOR ACCOUNTS OF OR WITH CUSTOMER; VIOLATED RULE 17A-4(B)(4) AND 17A-4(F) UNDER EXCHANGE ACT OF 1934 AND NYSE RULES 440 AND 472(A)(1) BY FAILING TO REVIEW OR APPROVE WRITTEN OR ELECTRONIC COMMUNICATIONS AND FAILING TO HAVE PROCEDURES TO MAINTAIN SUCH



COMMUNICATIONS IN PARIS BRANCH OFFICE; VIOLATED RULE 17A-3(6) UNDER EXCHANGE ACT AND NYSE RULE 440 BY FAILING TO CREATE AND MAINTAIN ORDER TICKETS AND EXECUTION REPORTS OF PARIS BRANCH OFFICE; VIOLATED NYSE RULES 342(D) AND 345(A) BY FAILING TO HAVE QUALIFIED PERSONS ACCEPTABLE TO NYSE IN CHARGE OF BRANCH OFFICES; AND/OR PERMITTING PERSONS TO PERFORM REGULARLY DUTIES CUSTOMARILY PERFORMED BY REGISTERED REPRESENTATIVES AND DIRECT SUPERVISOR WITHOUT SUCH PERSONS BEING REGISTERED WITH, QUALIFIED BY, AND ACCEPTABLE TO NYSE; VIOLATED NYSE RULE 445 BY FAILING TO IMPLEMENT POLICIES, PROCEDURES AND INTERNAL CONTROLS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH BANK SECRECY ACT AND IMPLEMENTING REGULATIONS THEREUNDER; VIOLATED RULE 15C3-3**CONTINUED AT 14**

Regulator Statement

CONTINUED FROM 13C(G) UNDER EXCHANGE ACT BY MAKING WITHDRAWALS FROM ITS SPECIAL RESERVE ACCOUNT FOR EXCLUSIVE BENEFIT OF CUSTOMERS WHEN AMOUNT REMAINING WAS LESS THAN AMOUNT REQUIRED TO BE ON DEPOSIT PURSUANT TO RULE 15C3-3(E) UNDER EXCHANGE ACT, THEREBY CAUSING HINDSIGHT DEFICIENCIES - CENSURE, \$100,000 FINE, ORDERED TO HIRE AN OUTSIDE CONSULTANT TO MAKE RECOMMENDATIONS AS TO CERTAIN ASPECTS OF COMPLIANCE RELATING TO THE VIOLATIONS AND TO IMPLEMENT SUCH RECOMMENDATIONS.

01/06/2009THE DECISION IS FINAL AND EFFECTIVE CLOSE OF BUSINESS ON FEBRUARY 2, 2009.

Reporting Source:

Firm

Current Status:

Final

Allegations:

WEDBUSH MORGAN SECURITIES STATES THAT THE PARIS FACILITY IS NOT A BRANCH OFFICE OF WEDBUSH MORGAN SECURITIES BUT IS CORRESPONDENT FIRM, HAW FINANCE NETWORK. NYSE ALLEGED THE FIRM INFRINGED EXCHANGE RULES 342(A) AND (B) BY NOT HAVING PROCEDURES OF SUPERVISION WITH RESPECT TO THE ACTIVITIES OF THE PARIS OFFICE; INFRINGED EXCHANGE RULE 342(C) BY NOT OBTAINING THE CONSENT TO ESTABLISH THE OFFICES OTHER THAN THE MAIN OFFICE BY THE EXCHANGE; INFRINGED EXCHANGE RULE 405 BY NOT USING DUE DILIGENCE TO SUPERVISE ACCOUNTS HANDLED BY REGISTERED REPRESENTATIVES IN THE PARIS OFFICE; INFRINGED RULES 17-4(B)(4) AND 17A-4(F) UNDER THE EXCHANGE ACT AND EXCHANGE RULES 440 AND 472(A)(1) BY NOT REVIEWING WRITTEN OR ELECTRONIC COMMUNICATIONS; INFRINGED RULE 17A-3(6) UNDER THE EXCHANGE ACT AND EXCHANGE RULE 440 BY NOT MAINTAINING ORDER TICKETS AND EXECUTION REPORTS OF THE PARIS OFFICE; INFRINGED



EXCHANGE RULES 342(D) AND 345(A) BY NOT HAVING ONE OR MORE QUALIFIED PERSONS ACCEPTABLE TO THE EXCHANGE IN CHARGE OF BRANCH OFFICES; AND/OR PERFORM REGULARLY THE DUTIES CUSTOMARILY PERFORMED BY A REGISTERED REPRESENTATIVE AND A DIRECT SUPERVISOR;**CONTINUED AT 13C**

Initiated By: NEW YORK STOCK EXCHANGE DIVISION OF ENFORCEMENT

Date Initiated: 12/12/2005

Docket/Case Number: HBD# 09-NYSE-01

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 02/02/2009

Sanctions Ordered: Censure
Monetary/Fine \$100,000.00

Other Sanctions Ordered: UNDERTAKING BY INDEPENDENT CONSULTANT

Sanction Details: \$100,000 FINE AND AN UNDERTAKING TO EVALUATE THE REGULATORY AND COMPLIANCE RESOURCES OF THE FIRM

Firm Statement **CONTINUED FROM #7** INFRINGED EXCHANGE RULE 345A(A) BY PERMITTING ONE OR MORE REGISTERED REPRESENTATIVES TO CONTINUE TO PERFORM DUTIES AS A REGISTERED PERSON WITHOUT MEETING CONTINUING EDUCATION REQUIREMENTS; INFRINGED EXCHANGE RULE 407(B) BY FAILING TO RECEIVE AND REVIEW MONTHLY ACCOUNT STATEMENTS AND CONFIRMATION OF ACCOUNTS HELD AT OTHER FIRMS BY REGISTERED REPRESENTATIVES; INFRINGED EXCHANGE RULE 445 BY NOT IMPLEMENTING POLICIES AND PROCEDURES TO DETECT REPORTING OF TRANSACTIONS REQUIRED UNDER 31 U.S.C. 5318(G) AND DID NOT IMPLEMENT POLICIES AND PROCEDURES TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT; INFRINGED RULE 15C-3-3(G) UNDER THE EXCHANGE ACT BY MAKING WITHDRAWALS FROM ITS SPECIAL RESERVE ACCOUNT WHEN AT THE TIME OF THE WITHDRAWALS THE AMOUNT REMAINING IN THE RESERVE ACCOUNT WAS LESS THAN THE AMOUNT REQUIRED TO BE ON DEPOSIT PURSUANT TO RULE 15C3-3(E) UNDER THE EXCHANGE ACT.

**Disclosure 51 of 75**

Reporting Source: Regulator

Current Status: Final

Allegations: NASD CONDUCT RULE – 2110 AND NASD MARKETPLACE RULE 6620(A) -WEDBUSH MORGAN SECURITIES INC. FAILED WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH AUTOMATED CONFIRMATION TRANSACTION SERVICE ("ACT") 78 LAST SALE REPORTS OF TRANSACTIONS IN OTC EQUITY SECURITIES. THESE TRANSACTIONS CONSTITUTE NEARLY 6 PERCENT OF TRANSACTIONS REVIEWED THAT THE FIRM WAS REQUIRED TO REPORT TO ACT DURING THE REVIEW PERIOD. FURTHERMORE, FOR 48 OF THE TRANSACTIONS REFERENCED ABOVE, WEDBUSH MORGAN SECURITIES INC. FAILED WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH ACT LAST SALE REPORTS OF THE TRANSACTIONS IN OTC EQUITY SECURITIES AND FAILED TO DESIGNATE THROUGH ACT SUCH LAST SALE REPORTS AS LATE.

Initiated By: NASD

Date Initiated: 08/20/2004

Docket/Case Number: CMS040129

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 08/20/2004

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:



Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, WEDBUSH MORGAN SECURITIES INC. CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OF DENYING ALLEGATIONS THAT IT FAILED TO TRANSMIT 78 TRANSACTION REPORTS IN OTC SECURITIES THROUGH ACT WITHIN 90 SECONDS AFTER EXECUTION BETWEEN SEPTEMBER 1,2002 AND DECEMBER 31,2002, WEDBUSH MORGAN SECURITIES CONSENTED TO A CENSURE AND A FINE OF \$7500.

Initiated By: NASD

Date Initiated: 08/20/2004

Docket/Case Number: CMS040129

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 08/20/2004

Sanctions Ordered: Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, WEDBUSH MORGAN SECURITIES INC. CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS;THEREFORE, THE FIRM IS CENSURED AND FINED \$7500.

Disclosure 52 of 75

Reporting Source: Regulator

Current Status: Final



Allegations: NASD CONDUCT RULE 2110, NASD MARKETPLACE RULE 4632(A) AND 6620(A)(3) - WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE RESPONDENT MEMBER CONSENTED TO THE ENTRY OF FINDINGS THAT IT FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH AUTOMATED CONFIRMATION TRANSACTION SERVICE (ACT) LAST SALE REPORTS OF TRANSACTIONS IN OTC EQUITY, NASDAQ NATIONAL MARKET (NNM) AND NASDAQ SMALLCAP (SC) SECURITIES. THESE TRANSACTIONS WERE REQUIRED TO REPORT TO ACT DURING THE REVIEW PERIOD. RESPONDENT MEMBER ALSO FAILED TO DESIGNATE AS ".T" THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN OTC EQUITY SECURITIES EXECUTED OUTSIDE NORMAL MARKET HOURS. IN ADDITION, THE RESPONDENT MEMBER FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NNM SECURITIES AND FAILED TO DESIGNATE THROUGH ACT SUCH LAST SALE REPORTS AS LATE. FURTHERMORE, RESPONDENT MEMBER INCORRECTLY DESIGNATED AS ".T" THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NNM SECURITIES EXECUTED DURING NORMAL MARKET HOURS.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 12/12/2002

Docket/Case Number: CMS020242

Principal Product Type: Other

Other Product Type(s): UNKNOWN TYPE OF SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/12/2002

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: A FINE OF \$5,000.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS,WMS CONSENTED



TO THE ENTRY OF FINDINGS THAT IT FAILED WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS AND FAILED TO DESIGNATE AS ".T" REPORTS OF TRANSACTIONS EXECUTED OUTSIDE NORMAL MARKET HOURS AND INCORRECTLY DESIGNATED AS ".T" LAST SALE REPORTS OF TRANSACTIONS IN NNM SECURITIES EXECUTED DURING NORMAL MARKET HOURS.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 12/12/2002
Docket/Case Number: CMS020242
Principal Product Type: Other
Other Product Type(s): UNKNOWN TYPE OF SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 12/12/2002
Sanctions Ordered: Monetary/Fine \$5,000.00
Other Sanctions Ordered:
Sanction Details: A FINE OF \$5,000.00

Disclosure 53 of 75

Reporting Source: Regulator
Current Status: Final
Allegations: SEC RULE 11AC1-4 - WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE RESPONDENT FIRM CONSENTED TO THE ENTRY OF FINDINGS THAT IT FAILED TO DISPLAY IMMEDIATELY THE CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES IN ITS PUBLIC QUOTATION, WHEN EACH SUCH ORDER WAS AT A PRICE THAT WOULD HAVE IMPROVED THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY; OR WHEN THE ORDER WAS PRICED EQUAL TO THE FIRM'S BID OR OFFER AND THE NATIONAL BEST BID OR OFFER IN SUCH SECURITY, AND THE SIZE OF THE ORDER REPRESENTED MORE THAN A DE MINIMIS CHANGE IN RELATION TO THE SIZE ASSOCIATED WITH ITS BID OR OFFER IN EACH SUCH SECURITY.



Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 12/05/2002
Docket/Case Number: CMS020236
Principal Product Type: Other
Other Product Type(s): UNKNOWN TYPE OF SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 12/05/2002
Sanctions Ordered: Censure
 Monetary/Fine \$10,000.00
Other Sanctions Ordered:
Sanction Details: A CENSURE AND A FINE OF \$10,000.

Reporting Source: Firm
Current Status: Final
Allegations: WEDBUSH MORGAN,WITHOUT ADMITTING OR DENYING THE ALLEGATIONS,SUBMITTED A LETTER OF ACCEPTANCE,WAIVER,&CONSENT,CONSENTING TO SANCTIONS AND THE ENTRY OF FINDINGS THAT ON A FEW OCCASIONS FAILED TO DISPLAY IMMEDIATELY CUSTOMER LIMIT ORDERS IN ITS PUBLIC QUOTATION,WHEN SUCH ORDER WAS AT A PRICE WHICH WOULD HAVE IMPROVED THE FIRM'S BID OR OFFER,OR WHEN THE ORDER WAS PRICED EQUAL TO THE FIRM'S BID OR OFFER AND THE NATIONAL BEST BID OR OFFER IN SUCH SECURITY.

Initiated By: NASD
Date Initiated: 11/19/2002
Docket/Case Number: NASD #CMS020236
Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s):



Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/19/2002

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: \$10,000.00 FINED

Firm Statement WEDBUSH MORGAN,WITHOUT ADMITTING OR DENYING THE ALLEGATIONS,SUBMITTED A LETTER OF ACCEPTANCE,WAIVER&CONSNET,CONSENTING TO SANCTIONS AND THE ENTRY OF FINDINGS THAT ON A FEW OCCASIONS IT FAILED TO DISPLAY IMMEDIATELY CUSTOMER LIMIT ORDERS IN ITS PUBLIC QUOTATION,WHEN SUCH ORDER WAS AT A PRICE WHICH WOULD HAVE IMPROVED THE FIRM'S BID OR OFFER,OR WHEN THE ORDER WAS PRICED EQUAL TO THE FIRM'S BID OR OFFER AND THE NATIONAL BEST BID OR OFFER IN SUCH SECURITY.THE FIRM WAS CENSURED AND FINED \$10,000.00.

Disclosure 54 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: NASD RULES 2110, 3010, 3320 AND 4613(B), AND SEC RULE 11AC1-1 - WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE RESPONDENT MEMBER CONSENTED TO THE ENTRY OF FINDINGS THAT IT WAS A MARKET MAKER IN SECURITIES, AND AN ORDER WAS PRESENTED TO THE FIRM AT THE FIRM'S PUBLISHED BID OR PUBLISHED OFFER IN AN AMOUNT UP TO ITS PUBLISHED QUOTATION SIZE. THE FIRM FAILED TO EXECUTE THE ORDERS UPON PRESENTMENT AND THEREBY FAILED TO HONOR ITS PUBLISHED QUOTATION. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING FIRM QUOTE COMPLIANCE. SPECIFICALLY, THE FIRM'S SUPERVISORY SYSTEM DID NOT INCLUDE WRITTEN SUPERVISORY PROCEDURES PROVIDING FOR THE IDENTIFICATION OF THE PERSON RESPONSIBLE AT THE FIRM TO ENSURE COMPLIANCE WITH THE



APPLICABLE RULES; A STATEMENT OF THE STEPS THAT SUCH PERSON SHOULD TAKE TO ENSURE COMPLIANCE; A STATEMENT AS TO HOW OFTEN SUCH PERSON SHOULD TAKE SUCH STEPS; AND A STATEMENT AS TO HOW ENFORCEMENT OF SUCH WRITTEN SUPERVISORY PROCEDURES SHOULD BE DOCUMENTED AT THE FIRM.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 11/19/2002

Docket/Case Number: CMS020010

Principal Product Type: Other

Other Product Type(s): UNKNOWN TYPE OF SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/19/2002

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: A CENSURE, A FINE OF \$15,000 (\$10,000 FOR THE FIRM QUOTE VIOLATIONS AND \$5,000 FOR THE SUPERVISORY VIOLATION) AND AN UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING FIRM QUOTE COMPLIANCE WITHIN 30 BUSINESS DAYS.

Reporting Source: Firm

Current Status: Final

Allegations: WEDBUSH MORGAN SECURITIES FAILED TO HONOR ITS PUBLISHED QUOTATIONS.

Initiated By: NASD

Date Initiated: 11/19/2002

Docket/Case Number: NASD #CMS020210



Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Censure
Other Sanction(s)/Relief Sought: FINE
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 11/19/2002
Sanctions Ordered: Censure
 Monetary/Fine \$15,000.00
Other Sanctions Ordered:
Sanction Details: \$15,000.00 FINED
Firm Statement WEDBUSH MORGAN, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, SUBMITTED A LETTER OF ACCEPTANCE, WAIVER, & CONSENT CONSENTING TO SANCTIONS AND THE ENTRY OF FINDINGS THAT IT FAILED ON A FEW OCCASIONS TO HONOR ITS PUBLISHED QUOTATIONS. THE FIRM WAS CENSURED, FINED \$15,000, AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES RELATING TO FIRM QUOTE COMPLIANCE.

Disclosure 55 of 75

Reporting Source: Regulator
Current Status: Final
Allegations: NASD RULE 4613(E)(1)(C) - WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE RESPONDENT MEMBER CONSENTED TO THE ENTRY OF FINDINGS THAT IT, AS A MARKET MAKER IN SECURITIES, WAS A PARTY TO A LOCKED OR CROSSED MARKET CONDITION PRIOR TO THE MARKET OPENING AND RECEIVED A TRADE-OR-MOVE MESSAGE IN EACH INSTANCE THROUGH SELECTNET AND WITHIN 30 SECONDS OF RECEIVING SUCH MESSAGES, FAILED TO FILL THE INCOMING TRADE-OR-MOVE MESSAGE FOR THE FULL SIZE OF THE MESSAGE OR MOVE ITS BID DOWN (OFFER UP) BY A QUOTATION INCREMENT THAT WOULD HAVE UNLOCKED/UNCROSSED THE MARKET. RESPONDENT MEMBER, AS A MARKET MAKER IN SECURITIES, CAUSED A LOCKED/CROSSED MARKET CONDITION PRIOR TO THE MARKET OPENING BY ENTERING A BID (ASK) QUOTATION THAT LOCKED/CROSSED ANOTHER MARKET MAKER'S QUOTATIONS WITHOUT IMMEDIATELY THEREAFTER SENDING THROUGH SELECTNET TO THE MARKET MAKER(S) WHOSE



QUOTE(S) IT LOCKED OR CROSSED A TRADE-OR-MOVE MESSAGE(S) THAT WAS AT THE RECEIVING MARKET MAKER'S QUOTED PRICE AND WHOSE AGGREGATE SIZE WAS AT LEAST 5000 SHARES.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 11/19/2002
Docket/Case Number: CMS020212
Principal Product Type: Other
Other Product Type(s): UNKNOWN TYPE OF SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 11/19/2002
Sanctions Ordered: Censure
 Monetary/Fine \$20,000.00
Other Sanctions Ordered:
Sanction Details: A CENSURE AND A FINE OF \$20,000.

Reporting Source: Firm
Current Status: Final
Allegations: WEDBUSH MORGAN, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, SUBMITTED A LETTER OF ACCEPTANCE, WAIVER, & CONSENT, CONSENTING TO SANCTIONS AND THE ENTRY OF FINDINGS ON A FEW OCCASIONS THAT IT WAS A PARTY TO A LOCKED OR CROSSED MARKET CONDITION PRIOR TO MARKET OPENING AND FAILED TO FILL AN INCOMING TRADE-OR-MOVE MESSAGE FOR THE FULL SIZE OF THE MESSAGE OR MOVE ITS MARKET WITHIN 30 SECONDS.

Initiated By: NASD
Date Initiated: 11/19/2002
Docket/Case Number: NASD #CMS020212
Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/19/2002

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered:

Sanction Details: \$20,000.00 FINED

Firm Statement WEDBUSH MORGAN, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, SUBMITTED A LETTER OF ACCEPTANCE, WAIVER, & CONSENT, CONSENTING TO SANCTIONS AND THE ENTRY OF FINDINGS THAT ON A FEW OCCASIONS THAT IT WAS A PARTY TO A LOCKED OR CROSSED MARKET CONDITION PRIOR TO MARKET OPENING AND FAILED TO FILL AN INCOMING TRADE-OR-MOVE MESSAGE FOR THE FULL SIZE OF THE MESSAGE OR MOVE ITS MARKET WITHIN 30 SECONDS. THE FIRM WAS CENSURED AND FINED \$20,000.00

Disclosure 56 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: NASD RULE 3110 AND SEC RULE 17A-3 - RESPONDENT MEMBER FAILED TO TIME STAMP ORDER TICKETS PROMPTLY UPON RECEIPT, WITH RESPECT TO MANUAL TRANSACTION ORDERS, AND THEREBY FAILED TO SHOW THE TIME OF ENTRY ON THE MEMORANDUM OF BROKERAGE ORDERS.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS

Date Initiated: 10/10/2001

Docket/Case Number: C02010054

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 10/10/2001
Sanctions Ordered: Monetary/Fine \$2,500.00
Other Sanctions Ordered:
Sanction Details: NONE

Reporting Source: Firm
Current Status: Final
Allegations: WMS WAS ALLEGED TO BE IN VIOLATION OF NASD CONDUCT RULES 3110 AND SEC RULE 17 A-3.
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD)
Date Initiated: 08/22/2001
Docket/Case Number: C01020054
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 10/10/2001
Sanctions Ordered: Monetary/Fine \$2,500.00
Other Sanctions Ordered:
Sanction Details: WMS PAID FINE IN THE AMOUNT OF \$2,500.
Firm Statement ON 09/27/01, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, WEDBUSH SIGNED AN ACCEPTANCE AND CONSENT TO FINDINGS THAT ON A SINGLE TRADE DATE IT FAILED TO STAMP 11 MANUAL ORDERS PROMPTLY UPON RECEIPT AND AGREED TO PAY A FINE IN THE AMOUNT OF \$2,500 TO NASD REG, INC.

Disclosure 57 of 75

Reporting Source: Firm
Current Status: Final
Allegations: STATE OF OREGON ALLEGED THAT THREE AGENTS OF WMS WERE NOT PROPERLY REGISTERED TO CONDUCT BUSINESS IN OREGON.
Initiated By: STATE OF OREGON
Date Initiated: 07/01/1988
Docket/Case Number: E8-37
Principal Product Type: Other
Other Product Type(s): GENERAL SECURITIES
Principal Sanction(s)/Relief Sought: Cease and Desist
Other Sanction(s)/Relief Sought:
Resolution: Order
Resolution Date: 07/01/1988
Sanctions Ordered: Monetary/Fine \$1,000.00
 Cease and Desist/Injunction
Other Sanctions Ordered:
Sanction Details: DISPOSITION RESULTED IN A FINE OF \$1000.00 OF WHICH WAS PAID IN JULY 1988.
Firm Statement STATE OF OREGON ALLEGED THAT THREE AGENTS OF WMS WERE NOT PROPERLY REGISTERED TO CONDUCT BUSINESS IN STATE. WMS RESOLVED THE MATTER BY CONSENTING TO THE ENTRY OF A CEASE AND DESIST ORDER AND A FINE OF \$1,000.00

Disclosure 58 of 75

Reporting Source: Firm
Current Status: Final
Allegations: WMS OFFERED AND SOLD SECURITIES IN STATE WITHOUT BROKER/DEALER AND AGENT REGISTRATION; OFFERED AND SOLD SECURITIES IN STATE WHICH SECURITIES WERE NOT REGISTERED OR EXEMPT; FAILED TO EXERCISE SUFFICIENT COMPLIANCE AND SUPERVISION OVER ITS AGENTS AND ACTIVITIES IN STATE.



Initiated By: STATE OF IDAHO
Date Initiated: 11/30/1987
Docket/Case Number: 1987-7-56
Principal Product Type: Other
Other Product Type(s): GENERAL SECURITIES
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:
Resolution: Order
Resolution Date: 11/30/1987
Sanctions Ordered: Monetary/Fine \$4,000.00
 Cease and Desist/Injunction
Other Sanctions Ordered:
Sanction Details: WMS SUBMITTED BROKER/DEALER AND AGENT REGISTRATION APPLICATIONS AND PAID FINE OF \$4,000.00 WITHIN TEN DAYS OF ORDER.
Firm Statement WMS OFFERED AND SOLD SECURITIES IN STATE WITHOUT BROKER/DEALER AND AGENT REGISTRATION; OFFERED AND SOLD SECURITIES IN STATE WHICH SECURITIES WERE NOT REGISTERED OR EXEMPT; FAILED TO EXERCISE SUFFICIENT COMPLIANCE AND SUPERVISION OVER ITS AGENTS AND ACTIVITIES IN STATE. FIRM SUBMITTED APPLICATIONS AND PAID FINE OF \$4,000.00 WITHIN TEN DAYS OF ORDER. IN 1988, THE FIRM ESTABLISHED AN AUTOMATED SYSTEM TO DETECT TRANSACTIONS IN STATE WHERE AGENTS ARE NOT REGISTERED. SINCE THE SYSTEM WAS IMPLEMENTED NO SIMILAR DISCIPLINARY ACTIONS HAVE OCCURRED.

Disclosure 59 of 75

Reporting Source: Firm
Current Status: Final
Allegations: WMS'S PREDECESSOR, WEDBUSH, NOBLE, COOK INC., WAS SUBJECT OF A CEASE AND DESIST ORDER. WEDBUSH HAD FAILED TO INCLUDE IN ITS REGISTRATION RENEWAL PACKET A COPY OF ITS LATEST AUDITED FINANCIAL STATEMENT AND A CHECK IN THE AMOUNT OF \$70.00. WMS'S APPLICATION FOR RENEWAL HAD ALSO INCLUDED APPLICATION FOR TWO EMPLOYEES WHO WERE DOMICILED IN COLORADO BUT



INADVERTENTLY HAD FAILED TO HAVE THEIR SIGNATURES NOTARIZED.

Initiated By: STATE OF COLORADO

Date Initiated: 02/06/1978

Docket/Case Number: 7B9NRU204

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought:

Resolution: Stipulation and Consent

Resolution Date: 03/09/1979

Sanctions Ordered: Monetary/Fine \$2,000.00
Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details: AS A RESULT OF THESE INADVERTENT FAILURES TO INCLUDE ALL THE NECESSARY DOCUMENTS, THE STATE OF COLORADO ISSUED A CEASE AND DESIST ORDER UNTIL SUCH DOCUMENTS WERE SUBMITTED AND PROPERLY NOTARIZED. WMS PROVIDED DOCUMENTS AND PAID A FINE OF \$2,000.00 ON 3/14/1978.

Firm Statement WMS'S PREDECESSOR, WEDBUSH, NOBLE, COOK INC., WAS SUBJECT OF A CEASE AND DESIST ORDER. WEDBUSH HAD FAILED TO INCLUDE IN ITS REGISTRATION RENEWAL PACKET A COPY OF ITS LATEST AUDITED FINANCIAL STATEMENT AND A CHECK IN THE AMOUNT OF \$70.00. WMS'S APPLICATION FOR RENEWAL HAD ALSO INCLUDED APPLICATION FOR TWO EMPLOYEES WHO WERE DOMICILED IN COLORADO BUT INADVERTENTLY HAD FAILED TO HAVE THEIR SIGNATURES NOTARIZED. DOCUMENTS WERE SUBMITTED AND FINE WAS PAID IN THE AMOUNT OF \$2,000.00 ON 3/14/1978.

Disclosure 60 of 75**Reporting Source:** Firm**Current Status:** Final**Allegations:** STATE OF WASHINGTON ALLEGES WEDBUSH FROM OFFERING UNREGISTERED SECURITIES IN VIOLATION OF RCW 21.20.140 BY ITS POLICY OF PAYING INTEREST ON ITS CUSTOMERS' FREE CREDIT



Initiated By: BALANCES.
 STATE OF WASHINGTON
Date Initiated: 01/23/1978
Docket/Case Number: SD-133-77
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Cease and Desist
Other Sanction(s)/Relief Sought:
Resolution: Order
Resolution Date: 01/23/1978
Sanctions Ordered: Cease and Desist/Injunction
Other Sanctions Ordered:
Sanction Details: WMS AND ITS AGENTS WILL NOT ENGAGE IN THE GENERAL SOLICITATION OF CUSTOMERS BY ADVERTISEMENT OF ITS INTEREST PAYMENT POLICY NOR USE SAID INTEREST PAYMENT POLICY AS AN INDUCEMENT TO A PROSPECTIVE CUSTOMER. WEDBUSH WILL INCLUDE WITH CURRENT PERIODIC STATEMENTS REASONABLE PERFUNCTORY NOTICE DESCRIBING ITS INTEREST PAYMENT POLICY.
Firm Statement IN 1976 WEDBUSH ADVERTISED IN THE STATE OF WASHINGTON THAT IT PAID INTEREST ON CUSTOMER'S BALANCES INTENDED FOR RE-INVESTMENT. THE STATE OF WASHINGTON DEEMED THIS ADVERTISING AS AN OFFERING OF UNREGISTERED SECURITIES. ON JANUARY 23, 1978, THE STATE AND FIRM ENTERED INTO A STIPULATION THAT THE FIRM WILL NOT ENGAGED IN THE GENERAL SOLICITATION OF CUSTOMERS BY ADVERTISING OF ITS INTEREST PAYMENT POLICY AND WILL INCLUDE WITH CURRENT CUSTOMER PERIODIC STATEMENTS REASONABLE PERFUNCTORY NOTICE DESCRIBING ITS INTEREST PAYMENT POLICY.

Disclosure 61 of 75
Reporting Source: Regulator
Current Status: Final
Allegations: FAILURE TO SUPERVISE

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 02/22/1984
Docket/Case Number: SEA-334
Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Decision
Resolution Date: 03/31/1988
Sanctions Ordered: Censure
 Monetary/Fine \$50,000.00
Other Sanctions Ordered:
Sanction Details: \$50,000 PAID ON 4/24/89 - DEPOSIT NO. 009.
Regulator Statement TOP] 5/29/85: COMPLAINT #SEA-334 FILED 2/22/84 BY DISTRICT NO. 1, ALLEGING VIOLATIONS OF ARTICLE III, SECTIONS 1, 2, 15 ARTICLE IV, SECTION 5 OF THE RULES OF FAIR PRACTICE AND MSRB RULES G-17 AND G-19 IN THAT RESPONDENT MEMBER FAILED TO COMPLY WITH NASD'S FORMAL WRITTEN REQUESTS FOR INFORMATION MADE PURSUANT TO ARTICLE IV, SECTION 5 OF THE RULES OF FAIR PRACTICE.***DECISION RENDERED 4/4/85, WHEREIN RESPONDENT MEMBER IS CENSURED, FINED \$50,000 AND IS DIRECTED TO PROVIDE TO THE COMMITTEE A LETTER OUTLINING WHAT SUPERVISORY PROCEDURES HAVE BEEN IMPLEMENTED TO PREVENT A RECURRENCE OF THE VIOLATIONS WITHIN 90 DAYS FROM THE DATE OF THE DECISION; ALLEGATIONS OF VIOLATIONS OF MSRB RULES G-17 AND G-19 AS CONTAINED IN THE SIXTH CAUSE OF COMPLAINT WERE DISMISSED. ***4/18/85, APPEALED TO BOARD. ***DECISION RENDERED 3/20/86, WHEREIN SANCTIONS AS TO THE MEMBER, JONES AND PARKER ARE AFFIRMED. ALLEGATIONS OF FAILURE TO SUPERVISE WITH REGARD TO CAUSE TWO AND THREE ARE DISMISSED WITH REGARD TO THE RESPONDENTS MEMBER AND TEMPLETON IN THAT THE BOARD DETERMINED THAT HE PURPOSELY FAILED TO INFORM THE FIRM OF HIS DISCRETIONARY AUTHORITY AND THAT IT WAS THE BRANCH MANAGER'S FAILURE TO SUPERVISE JONES THAT PREVENTED THE FIRM FROM FULFILLING ITS SUPERVISORY RESPONSIBILITY.
 5/7/86 - APPEALED TO THE SEC.



4/12/88-SEC NEWS DIGEST ISSUE 88-61 DATED 3/31/88 - THE SEC AFFIRMED SANCTIONS IMPOSED BY THE NASD ON WEDBUSH. THE SEC FOUND, AS HAD THE NASD, THAT, IN 1980-1982, THE FIRM FAILED TO EXERCISE PROPER SUPERVISION OVER TWO SALESMEN IN ITS BELLEVUE, WASHINGTON BRANCH OFFICE AND THAT THE FIRM IMPROPERLY DELAYED FURNISHING THE NASD WITH REQUESTED INFORMATION DURING THE NASD'S INVESTIGATION OF THE SALESMEN'S ACTIVITIES. (REL. 34-25504) ***\$50,000 PAID ON 4/24/89 - DEPOSIT NO. 009.

Reporting Source: Firm

Current Status: Final

Allegations: FAILURE TO SUPERVISE

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 02/22/1984

Docket/Case Number: SEA-334

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 03/31/1988

Sanctions Ordered: Censure
Monetary/Fine \$50,000.00

Other Sanctions Ordered:

Sanction Details: \$50,000 PAID ON 4/24/89 -DEPOSIT NO.009

Firm Statement 5/29/85:COMPLAINT #SEA-334 FILED 2/22/84 BY DISTRICT NO.1 ALLEGING VIOLATIONS OF ARTICLE III,SECTIONS 1,2,15 ARTICLE IV,SECTION 5 OF THE RULES OF FAIR PRACTICE AND MSRB RULES G-17 AND G-19 IN THAT RESPONDENT MEMBER FAILED TO COMPLY WITH NASD'S FORMAL WRITTEN REQUESTS FOR INFORMATION MADE PURSUANT TO ARTICLE IV, SECTION 5 OF THE RULES OF FAIR PRACTICE***DECISION RENDERED 4/4/85,WHEREIN RESPONDENT MEMBER IS CENSURED,FINED \$50,000 AND IS DIRECTED TO PROVIDE TO THE COMMITTEE WHAT SUPERVISORY



PROCEDURES HAVE BEEN IMPLEMENTED TO PREVENT A RECURRENCE OF THE VIOLATIONS WITHIN 90 DAYS FROM THE DATE OF THE DECISION; ALLEGATIONS OF VIOLATIONS OF MSRB RULES G-17 AND G-19 AS CONTAINED IN THE SIXTH CAUSE OF COMPLAINT WERE DISMISSED***4/18/85, APPEALED TO BOARD. ***DECISION RENDERED 3/20/86, WHEREIN SANCTIONS AS TO THE MEMBER, JONES AND PARKER ARE AFFIRMED. ALLEGATIONS OF FAILURE TO SUPERVISE WITH REGARD TO CAUSE TWO AND THREE ARE DISMISSED WITH REGARD TO THE RESPONDENTS MEMBER AND TEMPLETON IN THAT THE BOARD DETERMINED THAT HE PURPOSELY FAILED TO INFORM THE FIRM OF HIS DISCRETIONARY AUTHORITY AND THAT IT WAS THE BRANCH MANAGER'S FAILURE TO SUPERVISE JONES THAT PREVENTED THE FIRM FROM FULFILLING ITS SUPERVISORY RESPONSIBILITY. 5/7/86 -APPEALED TO THE SEC. 4/12/88- SEC NEWS DIGEST ISSUE 88-61 DATED 3/31/88- THE SEC AFFIRMED SANCTIONS IMPOSED BY THE NASD ON WEDBUSH. THE SEC FOUND, AS HAD THE NASD, THAT, IN 1980-1982, THE FIRM FAILED TO EXERCISE PROPER SUPERVISION OVER TWO SALESMEN IN ITS BELLEVUE, WASHINGTON BRANCH OFFICE AND THAT THE FIRM IMPROPERLY DELAYED FURNISHING THE NASD WITH REQUESTED INFORMATION DURING THE NASD'S INVESTIGATION OF THE SALESMEN'S ACTIVITIES. (REL.34-25504)***\$50,000 PAID ON 4/24/89- DEPOSIT NO.009

Disclosure 62 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: RESPONDENT: ENTERED PRICED ORDERS INTO SELECTNET BROADCAST THAT WERE PRICED BETTER THAN THE FIRM'S PUBLIC QUOTE WITHOUT REFLECTING EACH SUCH ORDER IN THE FIRM'S PUBLIC QUOTE; AND FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE ADEQUATE WRITTEN SUPERVISORY PROCEDURES DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING THE SEC'S ORDER HANDLING RULES AND NASD MARKETPLACE RULE 4613. (SEC RULE 11AC1-1(C)(5) AND NASD CONDUCT RULES 2110 AND 3010.)

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 09/28/1999

Docket/Case Number: CMS990132

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief: Other



Sought:
Other Sanction(s)/Relief Sought: FINE OF \$3,000.00
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 09/28/1999
Sanctions Ordered: Monetary/Fine \$3,000.00
Other Sanctions Ordered: NONE
Sanction Details: FINE OF \$3,000.00 *** 04/11/2000GS: \$3,000 PAID ON 12/07/99 - INVOICE NO. 99-MS-858.
Regulator Statement NONE

Reporting Source: Firm
Current Status: Final
Allegations: RESPONDENT:ENTERED PRICED ORDERS INTO SELECTNET BROADCAST THAT WERE PRICED BETTER THAN THE FIRM'S PUBLIC QUOTE WITHOUT REFLECTING EACH SUCH ORDER IN THE FIRM'S PUBLIC QUOTE;AND FAILED TO ESTABLISH,MAINTAIN, AND ENFORCE ADEQUATE WRITTEN SUPERVISORY PROCEDURES DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING THE SEC'S ORDER HANDLING RULES AND NASD MARKETPLACE RULE 4613.(SEC RULE 11AC1-1(C)(5)AND NASD CONDUCT RULES 2110 AND 3010).
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 09/28/1999
Docket/Case Number: CMS990132
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 09/28/1999



Sanctions Ordered: Monetary/Fine \$3,000.00
Other Sanctions Ordered:
Sanction Details: FINE OF \$3,000.00***04/11/2000 GS: \$3,000.00 PAID ON 12/07/1999 - INVOICE NO.99-MS858.
Firm Statement NONE

Disclosure 63 of 75

Reporting Source: Regulator
Current Status: Final
Allegations: RESPONDENT MEMBER: FAILED TO EXECUTE ORDERS UPON PRESENTMENT AND THEREBY FAILED TO HONOR ITS PUBLISHED QUOTATION IN INSTANCES WHERE ORDERS WERE PRESENTED TO THE FIRM AT THE FIRM'S PUBLISHED BID OR PUBLISHED OFFER IN AN AMOUNT UP TO ITS PUBLISHED QUOTATION SIZE AND WHEN THE FIRM WAS A REGISTERED MARKET MAKER IN THE SECURITIES IN QUESTION; FAILED TO ESTABLISH AND MAINTAIN WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING THE SEC AND NASD FIRM QUOTE RULES. [SEC RULE 11AC1-1, NASD RULES 2110, 3010, 3320, 4613(B)]
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 03/30/1999
Docket/Case Number: CMS990038
Principal Product Type: Other
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 03/30/1999
Sanctions Ordered: Censure
 Monetary/Fine \$8,000.00
Other Sanctions Ordered: UNDERTAKING



Sanction Details: AN UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES RELATING TO FIRM QUOTE COMPLIANCE IN A MANNER NOT UNACCEPTABLE TO THE NASD. THE REVISED PROCEDURES SHOULD BE SUBMITTED TO THE NASD WITHIN 60 CALENDAR DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC; \$8,000.00 FINE; CENSURE

Regulator Statement NONE

Reporting Source: Firm

Current Status: Final

Allegations: WMS WAS ALLEGED TO BE IN VIOLATION OF "FIRM QUOTE RULE" NASD RULE 3320 AND NASD RULE 4613(B).

Initiated By: NATIONAL ASSOCIATION SECURITIES DEALERS (NASD)

Date Initiated: 12/01/1998

Docket/Case Number: CMS990038

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/19/1998

Sanctions Ordered: Censure
Monetary/Fine \$8,000.00

Other Sanctions Ordered: NONE

Sanction Details: IN ORDER TO AVOID THE EXPENSE AND CONSUMPTION OF TIME REQUIRED TO RESPOND TO THIS INQUIRY, WMS CONSENTED TO A CENSURE AND A FINE OF \$8000.00 TO SETTLE ALLEGATIONS OF VIOLATIONS RELATING TO THE "FIRM QUOTE RULE" NASD RULE 3320 AND NASD RULE 4613(B). WMS PAID TOTAL FINE OF \$8000.00 ON 5/11/1999. FIRM WRITTEN SUPERVISORY PROCEDURES WERE REVISED TO BE IN COMPLIANCE WITH "FIRM QUOTE RULE".

Disclosure 64 of 75



Reporting Source: Regulator
Current Status: Final
Allegations:
Initiated By: NEW YORK STOCK EXCHANGE
Date Initiated: 03/30/1989
Docket/Case Number:
Principal Product Type:
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Decision
Resolution Date: 03/30/1989
Sanctions Ordered: Monetary/Fine \$1,000.00
Other Sanctions Ordered:
Sanction Details:
Regulator Statement ^7/2/90^ SEC LITIGATION, ACTIONS AND PROCEEDINGS BULLETIN FOR THE QUARTER ENDING 6/30/89 (VOLUME 55, BULLETIN 02, PAGE 256) DISCLOSES: THE NEW YORK STOCK EXCHANGE FINED WEDBUSH MORGAN SECURITIES INC \$1,000.00 ON MARCH 30, 1989 BASED ON A VIOLATION OF EXCHANGE RULE 132.30 AND FAILURE TO SUBMIT AUDIT TRAIL DATA IN ORDER TO QUALIFIED CLEARING AGENCY REGARDING STOCK TRANSACTIONS FOR THE WEEKS OF 9/12 AND 10/17/88.

Reporting Source: Firm
Current Status: Final
Allegations: DUE TO AGE OF THIS FILING NO OTHER INFORMATIONS WERE PROVIDED.
Initiated By: NEW YORK STOCK EXCHANGE
Date Initiated: 03/30/1989
Docket/Case Number:



Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Decision
Resolution Date: 03/30/1989
Sanctions Ordered: Monetary/Fine \$1,000.00
Other Sanctions Ordered:
Sanction Details: FINE OF \$1000.00 ON 03/30/1989
Firm Statement 07/02/1990 SEC LITIGATION, ACTIONS AND PROCEEDINGS BULLETIN FOR THE QUARTER ENDING 06/30/1989 (VOLUME 55,BULLETIN 02,PAGE 256)DISCLOSES: THE NEW YORK STOCK EXCHANGE FINED WEDBUSH MORGAN SECURITIES INC. \$1,000.00 ON MARCH 30, 1989 BASED ON A VIOLATION OF EXCHANGE RULE 132.30 AND FAILURE TO SUBMIT AUDIT TRAIL DATA IN ORDER TO QUALIFIED CLEARING AGENCY REGARDING STOCK TRANSACTIONS FOR THE WEEKS OF 9/12 AND 10/17/88.

Disclosure 65 of 75

Reporting Source: Regulator
Current Status: Final
Allegations:
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 10/06/1997
Docket/Case Number: C02970040
Principal Product Type:
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)



Resolution Date: 10/06/1997
Sanctions Ordered: Censure
 Monetary/Fine \$250.00

Other Sanctions Ordered:**Sanction Details:****Regulator Statement**

ON OCTOBER 6, 1997, DISTRICT NO. 2 NOTIFIED RESPONDENTS WEDBUSH MORGAN SECURITIES INC. AND ROBERT DURNING HARLAN, JR. THAT THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT NO. C02970040 WAS ACCEPTED; THEREFORE, THEY ARE CENSURED AND FINED \$250, JOINTLY AND SEVERALLY - (NASD RULE 2110 - RESPONDENT MEMBER, ACTING THROUGH RESPONDENT HARLAN FAILED TO FILE AN MSRB FORM G-37 DISCLOSING THIS UNDERWRITING; AND, FAILED TO TIMELY FILE AN MSRB FORM G-37 DISCLOSING A POLITICAL CONTRIBUTION).

*** \$250.00 PAID J&S ON 10/30/97, INVOICE NO. 97-02-919 ***

Reporting Source: Firm
Current Status: Final
Allegations: NASD RULE 2110-RESPONDENT MEMBER,ACTING THROUGH RESPONDENT HARLAN FAILED TO FILE AN MSRB FORM G-37.
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 10/06/1997
Docket/Case Number: C02970040
Principal Product Type: Other
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 10/06/1997
Sanctions Ordered: Censure
 Monetary/Fine \$250.00

Other Sanctions Ordered:



Sanction Details: FINE OF \$250.00 - PAID J&S ON 10/30/1997, INVOICE #97-02-919

Firm Statement ON OCTOBER 6, 1997, DIST NO.2 NOTIFIED RESPONDENTS WEDBUSH MORGAN SECURITIES INC.AND ROBERT DURLING HARLAN,JR.THAT THE LETTER OR ACCEPTANCE, WAIVER AND CONSENT NO.C02970040 WAS ACCEPTED;THEREFORE,THEY ARE CENSURED AND FINED \$250,JOINTLY AND SEVERALLY (NASD RULE 2110-RESPONDENT MEMBER,ACTING THROUGH RESPONDENT HARLAN FAILED TO FILE AN MSRB FORM G-37 DISCLOSING THIS UNDERWRITING;AND FAILED TO TIMELY FILE AN MSRB FORM G-37 DISCLOSING A POLITICAL CONTRIBUTION).***\$250.00 PAID J&S ON 10/30/97,INVOICE NO.97-02-919.

Disclosure 66 of 75

Reporting Source: Regulator

Current Status: Final

Allegations: WEDBUSH, NOBLE, COOKE, INC., A MEMBER ORGANIZATION, VIOLATED: REGULATION 240.15C3-3 IN THAT ON SEVERAL OCCASTIONS, IT DID NOT PROMPTLY OBTAIN AND/OR MAINTAIN THE PHYSICAL POSSESSION OR CONTROL OF ALL FULLY-PAID AND EXCESS MARGIN SECURITIES CARRIED BY IT FOR THE ACCOUNT OF CUSTOMERS; REGULATION 15C3-3(M), IN THAT WHEN IT HAD NOT OBTAINED POSSESSION OF SECURITIES FOR WHICH IT HAD EXECUTED SELL ORDERS WITHIN TEN DAYS AFTER THE SETTLEMENT DATE, IT DID NOT EITHER IMMEDIATELY CLOSE THE TRANSACTIONS BY PURCHASING SECURITIES OF LIKE KIND AND QUANTITY OR OBTAIN APPROPRIATE EXTENSIONS; FORMER SECTION 220.4(C)(2) OF REGULATION "T" IN THAT, ON SEVERAL OCCASIONS, WHEN CUSTOMERS PURCHASED SECURITIES AND DID NOT MAKE FULL CASH PAYMENT WITHIN SEVEN DAYS AFTER THE PURCHASE DATE, IT DID NOT CANCEL OR LIQUIDATE THE TRANSACTION OR OBTAIN AN APPROPRIATE EXTENSION; FORMER SECTION 220.4(C)(8) OF REGULATION "T" AND EXCHANGE RULE 431(D)(9) IN THAT, ON SEVERAL OCCASIONS, IT FAILED TO PREVENT A CUSTOMER FROM PURCHASING, WITHOUT HAVING FUNDS IN HIS ACCOUNT SUFFICIENT FOR THAT PURPOSE, SECURITIES IN HIS CASH ACCOUNT WHEN, DURING THE PRECEDING 90 DAYS HE HAD PURCHASED A SECURITY IN THAT ACCOUNT AND SOLD THAT OTHER SECURITY WITHOUT HAVING PAID THEREFOR; EXCHANGE RULES 401 AND 409(B)(2) IN THAT IT FAILED TO PREVENT COMMUNICATIONS TO A NONMEMBER CUSTOMER FROM BEING ADDRESSED TO ONE OF ITS EMPLOYEES; EXCHANGE RULE 401 IN THAT IT DID NOT PREVENT CHANGES IN ACCOUNT NAMES ON ORDERS TRANSMITTED TO THE FLOOR FROM BEING MADE BY AN EMPLOYEE WHO HAD NOT BEEN AUTHORIZED TO



MAKE SUCH CHANGES PURSUANT TO THAT RULE; FORMER EXCHANGE RULES 472 AND 474B ON TWO OCCASIONS IN THAT IT DID NOT REQUIRE ITS EMPLOYEE WHO TELECAST BUSINESS NEWS TO PROVIDE COPIES OF HIS SCRIPTS OR TAPES AND DID NOT MAINTAIN A LOG OF HIS BROADCAST ENGAGEMENTS; AND EXCHANGE RULE 342(A) IN THAT IT DID NOT ADEQUATELY SUPERVISE ITS BUSINESS TO PREVENT THE ABOVE NOTED VIOLATIONS.

Initiated By: NEW YORK STOCK EXCHANGE
Date Initiated: 07/21/1986
Docket/Case Number: 86-54
Principal Product Type: Other
Other Product Type(s): UNKNOWN TYPE OF SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Consent
Resolution Date: 07/21/1986
Sanctions Ordered: Censure
 Monetary/Fine \$25,000.00
Other Sanctions Ordered:
Sanction Details: CENSURED AND FINED \$25,000.

Reporting Source: Firm
Current Status: Final
Allegations: WEDBUSH, NOBLE, COOKE, INC., A MEMBER ORGANIZATION, VIOLATED: REGULATION 240.15C3-3 IN THAT ON SEVERAL OCCASIONS, IT DID NOT PROMPTLY OBTAIN AND /OR MAINTAIN THE PHYSICAL POSSESSION OF CONTROL OF ALL FULLY-PAID AND EXCESS MARGIN SECURITIES CARRIED BY IT FOR THE ACCOUNT OF CUSTOMERS; REGULATION 15C3-3(M), IN THAT WHEN IT HAD NOT OBTAINED POSSESSION OF SECURITIES OR WHICH IT HAD EXECUTED SELL ORDERS WITHIN 10 DAYS AFTER THE SETTLEMENT DATE, IT DID NOT EITHER IMMEDIATELY CLOSE THE TRANSACTIONS BY PURCHASING SECURITIES OF LIKE KIND AND QUANTITY OR OBTAIN APPROPRIATE EXTENSIONS; FORMER SECTION 220.4(C)(2) OF REGULATION "T" IN



THAT, ON SEVERAL OCCASIONS, WHEN CUSTOMERS PURCHASED SECURITIES AND DID NOT MAKE FULL CASH PAYMENT WITHIN 7 DAYS AFTER THE PURCHASE DATE, IT DID NOT CANCEL OR LIQUIDATE THE TRANSACTION OR OBTAIN AN APPROPRIATE EXTENSION; FORMER SECTION 220.4(C)(8) OR REGULATION "T" AND EXCHANGE RULE 431(D)(9) IN THAT, ON SEVERAL OCCASIONS, IT FAILED TO PREVENT A CUSTOMER FROM PURCHASING, WITHOUT HAVING FUNDS IN HIS ACCOUNT SUFFICIENT FOR THAT PURPOSE, SECURITIES IN HIS CASH ACCOUNT WHEN, DURING THE PRECEDING 90 DAYS HE HAD PURCHASED A SECURITY IN THAT ACCOUNT AND SOLD THAT OTHER SECURITY WITHOUT HAVING PAID THEREFORE; EXCHANGE RULES 401 AND 409(B)(2) IN THAT IT FAILED TO PREVENT COMMUNICATIONS TO A NON-MEMBER CUSTOMER FROM BEING ADDRESSED TO ONE OF ITS EMPLOYEES; EXCHANGE RULE 401 IN THAT IT DID NOT PREVENT CHANGES IN ACCOUNT NAMES ON ORDERS TRANSMITTED TO THE FLOOR FROM BEING MADE BY AN EMPLOYEE WHO HAD NOT BEEN AUTHORIZED TO MAKE SUCH CHANGES PURSUANT TO THAT RULE; FORMER EXCHANGE RULES 472 AND 474B ON TWO OCCASIONS IN THAT IT DID NOT REQUIRE ITS EMPLOYEE WHO TELECAST BUSINESS NEWS TO PROVIDE COPIES OF HIS SCRIPTS OR TAPES AND DID NOT MAINTAIN A LOG OF HIS BROADCAST ENGAGEMENTS; AND EXCHANGE RULE 342(A) IN THAT IT DID NOT ADEQUATELY SUPERVISE ITS BUSINESS TO PREVENT THE ABOVE NOTED VIOLATIONS.

Initiated By: NEW YORK STOCK EXCHANGE
Date Initiated: 07/21/1986
Docket/Case Number: NYSE #86-54
Principal Product Type: Other
Other Product Type(s): UNKNOWN TYPE OF SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Consent
Resolution Date: 07/21/1986
Sanctions Ordered: Censure
 Monetary/Fine \$25,000.00
Other Sanctions Ordered:
Sanction Details: CENSURED AND FINED \$25,000.00

**Disclosure 67 of 75**

Reporting Source: Regulator
Current Status: Final
Allegations:
Initiated By: NEW YORK STOCK EXCHANGE
Date Initiated: 03/05/1984
Docket/Case Number:

Principal Product Type:
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:

Resolution: Decision
Resolution Date: 03/05/1984
Sanctions Ordered: Censure
 Monetary/Fine \$35,000.00

Other Sanctions Ordered:

Sanction Details:

Regulator Statement WEDBUSH, NOBLE, COOKE, INC. WAS CENSURED AND FINED \$35,000 BY THE NEW YORK STOCK EXCHANGE FOR VIOLATIONS OF EXCHANGE RULES 431 (d)(6), 431 (d)(1), 401, AND 342(b).

Reporting Source: Firm
Current Status: Final
Allegations: DUE TO AGE OF THIS FILING NO OTHER INFORMATIONS WERE PROVIDED.
Initiated By: NEW YORK STOCK EXCHANGE
Date Initiated: 03/05/1984
Docket/Case Number:



Principal Product Type: Other
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought:
Resolution: Decision
Resolution Date: 03/05/1984
Sanctions Ordered: Censure
 Monetary/Fine \$35,000.00
Other Sanctions Ordered:
Sanction Details: CENSURED AND FINED \$35,000.00
Firm Statement WEDBUSH,NOBLE,COOKE,INC. WAS CENSURE AND FINED \$35,000.00 BY THE NEW YORK STOCK EXCHANGE FOR VIOLATIONS OF EXCHANGE RULES 431(D)(6), 431(D)(1), 401, AND 342(B).

Disclosure 68 of 75

Reporting Source: Regulator
Current Status: Final
Allegations: APRIL 12, 1994 CHARGES ISSUED BY NYSE DIVISION OF ENFORCEMENT -- CHARGES: (1) VIOLATED 220.4 OF REGULATION T OF THE FEDERAL RESERVE BOARD IN THAT THE FIRM EXTENDED CREDIT FOR THE PURCHASE OF SECURITIES WITHOUT REQUIRING PAYMENT; (2) VIOLATED EXCHANGE RULE 431(c) IN THAT THE FIRM FAILED TO ENSURE THAT CERTAIN ACCOUNTS MAINTAINED THE MARGIN EQUITY REQUIRED BY SAID RULE; (3) VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR MORE OCCASIONS THE FIRM DISTRIBUTED TO CUSTOMERS ONE OR MORE RESEARCH REPORTS WHICH HAD NOT BEEN APPROVED BY A SUPERVISORY ANALYST; (4) VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR MORE OCCASIONS WHEN THE FIRM DISTRIBUTED TO CUSTOMERS A WRITTEN COMMUNICATION THE FIRM FAILED TO DISCLOSE THAT IT WAS THEN A MARKET MAKER IN THE SUBJECT SECURITY; (5) VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR MORE OCCASIONS WHEN THE FIRM DISTRIBUTED TO CUSTOMERS A WRITTEN COMMUNICATION THE FIRM FAILED TO DISCLOSE THE INTEREST OF ONE OF ITS REGISTERED REPRESENTATIVES IN THE SUBJECT SECURITY; (6) VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR MORE OCCASIONS



WHEN THE FIRM DISTRIBUTED TO CUSTOMERS A WRITTEN COMMUNICATION PREPARED BY AN OUTSIDE PERSON THE FIRM FAILED TO DISCLOSE SUCH AUTHORSHIP; (7) VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR MORE OCCASIONS THE FIRM PERMITTED A REGISTERED REPRESENTATIVE TO ENGAGE IN BROADCAST ACTIVITIES WITHOUT PRIOR WRITTEN APPROVAL BY THE FIRM; (8) VIOLATED EXCHANGE RULE 472 IN THAT THE FIRM FAILED TO ESTABLISH WRITTEN SUPERVISORY PROCEDURES APPLICABLE TO EMPLOYEES WHO MAKE RADIO OR TELEVISION APPEARANCES; (9) VIOLATED EXCHANGE RULE 791 IN THAT THE FIRM ALLOWED THE ISSUANCE OF SALES LITERATURE PERTAINING TO OPTIONS TO CUSTOMERS OR MEMBERS OF THE PUBLIC WITHOUT THE PRIOR APPROVAL OF THE FIRM'S COMPLIANCE REGISTERED OPTIONS PRINCIPAL OR DESIGNEE; (10) VIOLATED SEC REGULATION 240.10a-1(c) AND EXCHANGE RULE 440B.13 BY FAILING TO MARK SELL ORDER TICKETS "LONG" OR "SHORT"; (11) VIOLATED EXCHANGE RULE 342(a)*See FAQ #1*

Initiated By: NYSE NYSE DIVISION OF ENFORCEMENT. N

Date Initiated: 04/12/1994

Docket/Case Number: HPD 94-162

Principal Product Type:

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 02/03/1995

Sanctions Ordered: Censure
Monetary/Fine \$80,000.00

Other Sanctions Ordered:

Sanction Details: CONSENT TO CENSURE AND \$80,000 FINE.

Regulator Statement **FEBRUARY 3, 1995** THE DECISION IS NOW FINAL IN WHICH WEDBUSH MORGAN SECURITIES INC. IS FINED THE SUM OF \$80,000.00 AND CENSURED. CONTACT MS. PEGGY L. GERMINO AT (212)

656-8450.

Reporting Source: Firm

Current Status: Final

Allegations: APRIL 12,1994 CHARGES ISSUED BY NYSE DIVISION OF ENFORCEMENT-CHARGES:(1)VIOLATED 220.4 OF REGULATION OF THE FEDERAL RESERVE BOARD IN THAT THE FIRM EXTENDED CREDIT FOR THE PURCHASE OF SECURITIES WITHOUT REQUIRING PAYMENT;(2)VIOLATED EXCHANGE RULE 431(C)IN THAT THE FIRM FAILED TO ENSURE THAT CERTAIN ACCOUNTS MAINTAINED THE MARGIN EQUITY REQUIRED BY SAID RULE;(3)VIOLATED EXCHANGE RULE 472 IN THAT ONE OR MORE OCCASIONS THE FIRM DISTRIBUTED TO CUSTOMERS ONE OR MORE RESEARCH REPORTS WHICH HAD NOT BEEN APPROVED BY A SUPERVISORY ANALYST;(4)VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR MORE OCCASIONS WHEN THE FIRM DISTRIBUTED TO CUSTOMERS A WRITTEN COMMUNICATION THE FIRM FAILED TO DISCLOSE THAT IT WAS THEN A MARKET MAKER IN THE SUBJECT SECURITY;(5)VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR MORE OCCASIONS WHEN THE FIRM DISTRIBUTED TO CUSTOMERS A WRITTEN COMMUNICATION THE FIRM FAILED TO DISCLOSE THE INTEREST OF ONE OF ITS REGISTERED REPRESENTATIVES IN THE SUBJECT SECURITY;(6)VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR MORE OCCASIONS WHEN THE FIRM DISTRIBUTED TO CUSTOMERS A WRITTEN COMMUNICATION PREPARED BY AN OUTSIDE PERSON THE FIRM FAILED TO DISCLOSE SUCH AUTHORSHIP;(7)VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR MORE OCCASIONS THE FIRM PERMITTED A REGISTERED REPRESENTATIVE TO ENGAGE IN BROADCAST ACTIVITIES WITHOUT PRIOR WRITTEN APPROVAL BY THE FIRM;(8)VIOLATED EXCHANGE RULE 472 IN THAT THE FIRM FAILED TO ESTABLISH WRITTEN SUPERVISORY PROCEDURES APPLICABLE TO EMPLOYEES WHO MAKE RADIO OR TELEVISION APPEARANCES;(9)VIOLATED EXCHANGE RULE 791 IN THAT THE FIRM ALLOWED THE ISSUANCE OF SALES LITERATURE PERTAINING TO OPTIONS TO CUSTOMERS OR MEMBERS OF THE PUBLIC WITHOUT THE PRIOR APPROVAL OF THE FIRM'S COMPLIANCE REGISTERED OPTIONS PRINCIPAL OR DESIGNEE;(10)VIOLATED SEC REGULATION 240.10A-1(C)AND EXCHANGE RULE 440B.13 BY FAILING TO MARK SELL ORDER TICKETS"LONG" OR "SHORT";(11)VIOLATED EXCHANGE RULE 342(A)
SEE FAQ #1

Initiated By: NYSE DIVISION OF ENFORCEMENT

Date Initiated: 04/12/1994



Docket/Case Number: HPD 94-162
Principal Product Type: Other
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Consent
Resolution Date: 02/03/1995
Sanctions Ordered: Censure
 Monetary/Fine \$80,000.00
Other Sanctions Ordered:
Sanction Details: CONSENT TO CENSURE AND \$80,000.00 FINE
Firm Statement **FEBRUARY 3, 1995**THE DECISION IS NOW FINAL IN WHICH WEDBUSH MORGAN SECURITIES INC.IS FINED THE SUM OF \$80,000.00 AND CENSURED. CONTACT MS.PEGGY L. GERMINO AT (212)656-8450.

Disclosure 69 of 75

Reporting Source: Regulator
Current Status: Final
Allegations:
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 06/18/1985
Docket/Case Number: MS-161-SC
Principal Product Type:
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Decision

Resolution Date: 07/22/1985
Sanctions Ordered: Monetary/Fine \$500.00
Other Sanctions Ordered:
Sanction Details:
Regulator Statement 2/4/86: MARKET SURVEILLANCE COMMITTEE COMPLAINT MS-161-SC
 FILED: 6/18/85
 ALLEGED VIOLATION(S): EXCESS SPREAD
 DECISION RENDRED 7/22/85: \$500 FINE

Reporting Source: Firm
Current Status: Final
Allegations: DUE TO THE AGE OF THIS FILING NO OTHER INFORMATIONS WERE PROVIDED.
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 06/18/1985
Docket/Case Number: MS-161-SC
Principal Product Type: Other
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Decision
Resolution Date: 07/22/1985
Sanctions Ordered: Monetary/Fine \$500.00
Other Sanctions Ordered:
Sanction Details: 07/22/1985 FINED \$500.00
Firm Statement 02/04/1986:MARKET SURVEILLANCE COMMITTEE COMPLAINT MS-161-SC
 FILED:6/18/85 ALLEGED VIOLATION(S):EXCESS SPREAD DECISION
 RENDERED 7/22/85:\$500 FINE

**Disclosure 70 of 75**

Reporting Source: Regulator
Current Status: Final
Allegations:
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 02/24/1972
Docket/Case Number: N-V-39
Principal Product Type:
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Decision
Resolution Date: 06/16/1972
Sanctions Ordered: Monetary/Fine \$25.00
Other Sanctions Ordered:
Sanction Details:
Regulator Statement NASDAQ COMPLAINT N-V-39 FILED 2/24/72
 5/2/72: FINED \$25.00
 5/22/72: PAID FINE
 6/16/72: FINAL

Reporting Source: Firm
Current Status: Final
Allegations: DUE TO AGE OF THIS FILING NO OTHER INFORMATIONS WERE PROVIDED.
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 02/27/1972
Docket/Case Number: N-V-39

Principal Product Type: Other
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Decision
Resolution Date: 06/16/1972
Sanctions Ordered: Monetary/Fine \$25.00
Other Sanctions Ordered:
Sanction Details: FINED \$25.00
Firm Statement NASDAQ COMPLAINT N-V-39 FILED 2/24/1972:FINED \$25.00
 5/22/72:PAID FINE 6/16/72:FINAL

Disclosure 71 of 75

Reporting Source: Regulator
Current Status: Final
Allegations:
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 08/28/1981
Docket/Case Number: CA882

Principal Product Type:
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:

Resolution: Consent
Resolution Date: 06/12/1984
Sanctions Ordered: Censure
 Monetary/Fine \$750.00

**Other Sanctions Ordered:****Sanction Details:****Regulator Statement**

COMPLAINT; #CA-882 FILED 08/28/81, DIST. #2S. DECISION; 03/31/82: CENSURED; FINED \$750; AND ASSESSED COSTS OF \$276.10, J&S. 05/07/82: B/G REVIEW. 10/26/82: B/G DECISION RENDERED; FINDINGS MADE AND 10/26/82: B/G DECISION RENDERED; FINDINGS MADE AND PENALTIES IMPOSED BY THE DBCC ARE AFFIRMED.

COMPLAINT NO. CA-882 FILED AUGUST 28, 1981 BY DISTRICT NO. 2 AGAINST RESPONDENTS WEDBUSH NOBLE COOK, INC., RICHARD A. LANNI AND HARVEY G. LEASON ALLEGING VIOLATIONS OF ARTICLE III, SECTION 1 OF THE RULES OF FAIR PRACTICE IN THAT RESPONDENTS MEMBER AND LANNI FAILED TO MAKE BONA FIDE PUBLIC DISTRIBUTIONS OF STOCK IN THAT THEY ALLOWED RESPONDENT LEASON TO ALLOT 200 SHARES TO THE ACCOUNT OF A MEMBER OF HIS IMMEDIATE FAMILY, IN CONTRAVENTION OF THE BOARD OF GOVERNORS INTERPRETATION WITH RESPECT TO FREE-RIDING AND WITHHOLDING. *****
 DECISION RENDERED MARCH 31, 1982 WHEREIN RESPONDENTS ARE CENSURED, FINED \$750, JOINTLY AND SEVERALLY AND ASSESSED COSTS OF \$276.10, JOINTLY AND SEVERALLY. ***** APRIL 30, 1982
 - APPEALED TO THE NBCC BY RESPONDENT LANNI. *****
 MAY 7, 1982 - CALLED FOR REVIEW AS TO RESPONDENTS MEMBER AND LEASON. ***** OCTOBER 26, 1982 - NBCC DECISION RENDERED WHEREIN THE FINDINGS MADE AND SANCTIONS IMPOSED ARE AFFIRMED. IF NO FURTHER ACTION, DECISION IS FINAL NOVEMBER 26, 1982. ***** DECEMBER 8, 1982 - APPEALED TO THE SEC. ***** SEC DECISION RENDERED APRIL 12, 1984 WHEREIN THE FINDINGS MADE AND SANCTIONS IMPOSED ARE AFFIRMED. IF NO FURTHER ACTION, DECISION IS FINAL JUNE 12, 1984. ***** JUNE 12, 1984 - DECISION IS FINAL.

Reporting Source: Firm
Current Status: Final
Allegations: DUE TO AGE OF THIS FILING NO MORE ADDITIONAL INFORMATIONS WERE PROVIDED.
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 08/28/1981
Docket/Case Number: CA882



Principal Product Type: Other
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Consent
Resolution Date: 06/12/1984
Sanctions Ordered: Censure
 Monetary/Fine \$750.00
Other Sanctions Ordered:
Sanction Details: FINED \$750.00
Firm Statement COMPLAINT; #CA-882 FILED 8/28/81,DIST.#2S.DECISION;03/31/82:CENSURED;FINED \$750:AND ASSESSED COSTS OF \$276.10, J&S.05/07/82: B/G REVIEW.1026/82: B/G DECISION RENDERED;FINDINGS MADE AND 10/26/82: B/G DECISION RENDERED;FINDINGS MADE AND PENALTIES IMPOSED BY THE DBCC ARE AFFIRMED.COMPLAINT #CA-882 FILED AUGUST 28,1981 BY DISTRICT #2 AGAINST RESPONDENTS WEDBUSH,NOBLE,COOKE,INC.,RICHARD A.LANNI AND HARVEY G.LEASON ALLEGING VIOLATIONS OF ARTICLE III,SECTION 1 OF THE RULES OF FAIR PRACTICE IN THAT RESPONDENTS MEMBER AND LANNI FAILED TO MAKE BONA FIDE PUBLIC DISTRIBUTIONS OF STOCK IN THAT THEY ALLOWED RESPONDENT LEASON TO ALLOT 200 SHARES TO THE ACCOUNT OF A MEMBER OF HIS IMMEDIATE FAMILY,IN CONTRAVENTION OF THE BOARD OF GOVERNORS INTERPRETATION WITH RESPECT TO FREE-RIDING AND WITHHOLDING.
****DECISION RENDERED MARCH 31,1982 WHEREIN RESPONDENTS ARE CENSURED FINED \$750 JOINTLY AND SEVERALLY AND ASSESSED COSTS OF \$276.10,JOINTLY AND SEVERALLY****
****APRIL 30,1982-APPEALED TO THE NBCC BY RESPONDENT LANNI.****
****MAY 7,1982-CALLED FOR REVIEW AS TO RESPONDENTS MEMBER AND LEASON.****
****OCTOBER 26,1982-NBCC DECISION RENDERED WHEREIN THE FINDINGS MADE AND SANCTIONS IMPOSED ARE AFFIRMED.IF NO FURTHER ACTION,DECISION IS FINAL NOVEMBER 26,1982.****
****DECEMBER 8,1982-APPEALED TO THE SEC****
****SEC DECISION RENDERED APRIL 12,1984 WHEREIN THE FINDINGS MADE AND SANCTIONS IMPOSED ARE AFFIRMED.IF NO FURTHER ACTION,DECISION IS FINAL JUNE 12,1984.****
****JUNE 12,1984-DECISION IS FINAL.****

**Disclosure 72 of 75****Reporting Source:** Regulator**Current Status:** Final**Allegations:****Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.**Date Initiated:** 07/29/1991**Docket/Case Number:** C01910025**Principal Product Type:****Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Decision**Resolution Date:** 06/20/1994**Sanctions Ordered:** Censure
Monetary/Fine \$15,000.00**Other Sanctions Ordered:****Sanction Details:****Regulator Statement**

COMPLAINT NO. C01910025 (DISTRICT NO. 1) FILED JULY 29, 1991 AGAINST RESPONDENTS WEDBUSH MORGAN SECURITIES, INC., RENE ROLAND ST. PIERRE, EDWARD WILLIAM WEDBUSH, PHILIP JOSEPH LOBUE, MARIE ELAIN EATON, RICHARD ANTHONY LANNI, AND MICHAEL HARLAN HUME ALLEGING VIOLATIONS OF ARTICLE III, SECTIONS 1, 2 AND 27 OF THE RULES OF FAIR PRACTICE IN THAT RESPONDENT ST. PIERRE EXERCISED EFFECTIVE CONTROL OVER THE ACCOUNT OF PUBLIC CUSTOMERS AND RECOMMENDED TO SUCH CUSTOMERS THE PURCHASE AND SALE OF SECURITIES WITHOUT HAVING REASONABLE GROUNDS FOR BELIEVING THAT SUCH RECOMMENDATIONS WERE SUITABLE FOR THE CUSTOMERS IN VIEW OF THE SIZE AND FREQUENCY OF THE RECOMMENDED TRANSACTIONS AND THE CUSTOMERS' FINANCIAL SITUATION AND NEEDS;



AND, IN CONNECTION WITH SUCH ACTIVITIES, RESPONDENT MEMBER, ACTING THROUGH RESPONDENTS WEDBUSH, LOBUE, EATON, LANNI AND HUME, FAILED TO ESTABLISH AND IMPLEMENT ADEQUATE WRITTEN SUPERVISORY PROCEDURES TO DETECT AND PREVENT THE VIOLATIONS ALLEGED, AND TO OTHERWISE SUPERVISE RESPONDENT ST. PIERRE. DECISION RENDERED JULY 28, 1993 WHEREIN RESPONDENT ST. PIERRE IS CENSURED, FINED \$25,000, AND SUSPENDED FROM ASSOCIATION WITH ANY NASD MEMBER IN ANY CAPACITY FOR 30 DAYS; THIS DECISION SHALL SERVE AS A LETTER OF CAUTION AS TO RESPONDENTS MEMBER, WEDBUSH, AND LANNI; AND, RESPONDENT MEMBER IS REQUIRED TO RESPOND WITH A LETTER WITHIN 30 DAYS SETTING FORTH THE STEPS TO BE TAKEN TO DETECT AND PREVENT SIMILAR VIOLATIONS BY ITS EMPLOYEES IN THE FUTURE; THIS DECISION SHALL SERVE AS A LETTER OF CAUTION AS TO RESPONDENT HUME AND HE IS REQUIRED TO REQUALIFY BY EXAMINATION PRIOR TO ASSUMING ANY SUPERVISORY POSITION WITH ANY NASD MEMBER IN THE FUTURE. IN ADDITION, RESPONDENTS MEMBER, WEDBUSH, LANNI, HUME, AND ST. PIERRE ARE ASSESSED COSTS OF \$2,939.30, JOINTLY AND SEVERALLY. THE COMPLAINT WAS DISMISSED AS TO RESPONDENTS LOBUE AND EATON IN THAT THE COMMITTEE DETERMINED THAT IN PERFORMING THEIR COMPLIANCE FUNCTIONS THEY HAD NO LINE AUTHOR*See FAQ #1*

Reporting Source: Firm

Current Status: Final

Allegations: DUE TO AGE OF THIS FILING NO MORE ADDITIONAL INFORMATIONS WERE PROVIDED.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 07/29/1991

Docket/Case Number: CO1910025

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 06/20/1994



Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: FINED \$15,000.00

Firm Statement

COMPLAINT #CO1910025(DISTRICT #1)FILED JULY 29,1991 AGAINST RESPONDENTS WEDBUSH MORGAN SECURITIES,INC.,RENE ROLAND ST.PIERRE,EDWARD WILLIAM WEDBUSH,PHILIP JOSEPH LOBUE,MARIE ELAIN EATON,RICHARD ANTHONY LANNI,AND MICHAEL HARLAN HUME ALLEGING VIOLATIONS OF ARTICLE III,SECTIONS 1,2 & 27 OF THE RULES OF FAIR PRACTICE IN THAT RESPONDENT ST.PIERRE EXERCISED EFFECTIVE CONTROL OVER THE ACCOUNT OF PUBLIC CUSTOMERS AND RECOMMENDED TO SUCH CUSTOMERS THE PURCHASE AND SALE OF SECURITIES WITHOUT HAVING REASONABLE GROUNDS FOR BELIEVING THAT SUCH RECOMMENDATIONS WERE SUITABLE FOR THE CUSTOMERS IN VIEW OF THE SIZE AND FREQUENCY OF THE RECOMMENDED TRANSACTIONS AND THE CUSTOMERS' FINANCIAL SITUATION AND NEEDS;AND, IN CONNECTION WITH SUCH ACTIVITIES,RESPONDENT MEMBER,ACTING THROUGH RESPONDENTS WEDBUSH,LOBUE,EATON,LANNI AND HUME,FAILED TO ESTABLISH AND IMPLEMENT ADEQUATE WRITTEN SUPERVISORY PROCEDURES TO PROTECT AND PREVENT THE VIOLATIONS AND ALLEGED,AND TO OTHERWISE SUPERVISE RESPONDENT ST.PIERRE. DECISION RENDERED JULY 28,1993 WHEREIN RESPONDENT ST.PIERRE IS CENSURED,FINED \$25,000,AND SUSPENDED FROM ASSOCIATION WITH ANY NASD MEMBER IN ANY CAPACITY FOR 30 DAYS;THIS DECISION SHALL SERVE AS A LETTER OF CAUTIONS AS TO RESPONDENTS MEMBER,WEDBUSH, AND LANNI;AND RESPONDENT MEMBER IS REQUIRED TO RESPOND WITH A LETTER WITHIN 30 DAYS SETTING FORTH THE STEPS TO BE TAKEN TO DETECT AND PREVENT SIMILAR VIOLATIONS BY ITS EMPLOYEES IN THE FUTURE;THIS DECISION SHALL SERVE AS A LETTER OF CAUTION AS TO RESPONDENT HUME AND HE IS REQUIRED TO REQUALIFY BY EXAMINATION PRIOR TO ASSUMING ANY SUPERVISORY POSITION WITH ANY NASD MEMBER IN THE FUTURE. IN ADDITION,RESPONDENTS MEMBER,WEDBUSH,LANNI,HUME,AND ST.PIERRE ARE ASSESSED COSTS OF \$2,939.30,JOINTLY AND SEVERALLY. THE COMPLAINT WAS DISMISSED AS TO RESPONDENTS LOBUE AND EATON IN THAT THE COMMITTEE DETERMINED THAT IN PERFORMING THEIR COMPLIANCE FUNCTIONS THEY HAD NO LINE AUTHOR***SEE FAQ #1***

Disclosure 73 of 75

Reporting Source: Regulator

Current Status: Final
Allegations: WEDBUSH SECURITIES, INC. AND OTHER INDIVIDUAL INVOLVED IN THE SALE OF SECURITIES IN GEORGIA AT A TIME WHEN INDIVIDUAL WAS NOT REGISTERED IN GEORGIA AND FOR FAILURE TO EXERCISE ADEQUATE SUPERVISION.
Initiated By: GEORGIA
Date Initiated: 10/07/1987
Docket/Case Number: 50-87-9561
URL for Regulatory Action:
Principal Product Type: Other
Other Product Type(s): UNKNOWN TYPE OF SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Consent
Resolution Date: 10/07/1987
Sanctions Ordered:
Other Sanctions Ordered: PROHIBITION AND COSTS
Sanction Details: WEDBUSH SECURITIES, INC. AND OTHER INDIVIDUAL ENTERED INTO AN ORDER OF PROHIBITION AND SETTLEMENT WITH THE STATE OF GEORGIA FOR THE SALE OF SECURITIES IN GEORGIA AT A TIME WHEN INDIVIDUAL WAS NOT REGISTERED IN GEORGIA AND FOR FAILURE TO EXERCISE ADEQUATE SUPERVISION, WHEREBY WEDBUSH SECURITIES REIMBURSE THE STATE OF GEORGIA FOR INVESTIGATIVE COSTS.

Reporting Source: Firm
Current Status: Final
Allegations: STATE OF GEORGIA ALLEGED THAT WMS AND AGENT EFFECT TWO SALES TRANSACTIONS WHILE THE AGENT WAS NOT REGISTERED WITH THE STATE.
Initiated By: STATE OF GEORGIA
Date Initiated: 11/01/1987

Docket/Case Number: 50-87-9561
Principal Product Type: Debt - Corporate
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Cease and Desist
Other Sanction(s)/Relief Sought:
Resolution: Order
Resolution Date: 11/01/1987
Sanctions Ordered: Monetary/Fine \$1,250.00
 Disgorgement/Restitution
 Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details: MATTER WAS RESOLVED BY WMS AND THE AGENT AGREEING TO AN ORDER TO PROHIBITION AND SETTLEMENT AND REIMBURSEMENT TO THE STATE OF THEIR \$1,250.00 COSTS.

Firm Statement STATE OF GEORGIA ALLEGED THAT WMS AND AGENT EFFECTED TWO SALES TRANSACTIONS WHILE THE AGENT WAS NOT REGISTERED WITH THE STATE. MATTER WAS RESOLVED BY WMS AND THE AGENT AGREEING TO AN ORDER TO PROHIBITION AND SETTLEMENT AND REIMBURSEMENT TO THE STATE OF THEIR \$1,250.00 COSTS.

Disclosure 74 of 75

Reporting Source: Regulator
Current Status: Final
Allegations:
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 02/05/1987
Docket/Case Number: MS-499-AWC
Principal Product Type:
Other Product Type(s):
Principal Sanction(s)/Relief Sought:



Other Sanction(s)/Relief Sought:

Resolution: Consent
Resolution Date: 04/07/1987
Sanctions Ordered: Monetary/Fine \$250.00
Other Sanctions Ordered:
Sanction Details:

Regulator Statement MARKET SURVEILLANCE COMMITTEE COMPLAINT #MS-499-AWC:

LETTER OF ACCEPTANCE, WAIVER AND CONSENT (AWC) WAS FILED ON FEBRUARY 5, 1987, ALLEGING VIOLATIONS OF PART I, SECTION C.3.(c) OF SCHEDULE D OF THE ASSOCIATION'S BY-LAWS IN THAT RESPONDENT FAILED TO REPORT ITS NASDAQ VOLUME IN ONE SECURITY ON 12/18/86. THE AWC WAS ACCEPTED BY THE MARKET SURVEILLANCE COMMITTEE ON MARCH 6, 1987 AND BY THE NATIONAL BUSINESS CNDUCT COMMITTEE NO APRIL 7, 1987. \$250 FINE RECEIVED 2/17/87

Reporting Source: Firm
Current Status: Final
Allegations: DUE TO THE AGE OF THIS FILING NO MORE ADDITIONAL INFORMATIONS WERE PROVIDED.
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 02/05/1987
Docket/Case Number: MS-499-AWC
Principal Product Type: Other
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Consent
Resolution Date: 04/07/1987



Sanctions Ordered: Monetary/Fine \$250.00
Other Sanctions Ordered:
Sanction Details: FINED \$250.00
Firm Statement MARKET SURVEILLANCE COMMITTEE COMPLAINT #MS-499-AWC:LETTER OF ACCEPTANCE,WAIVER AND CONSENT(AWC)WAS FILED ON FEBRUARY 5,1987,ALLEGING VIOLATIONS OF PART 1,SECTION C.3.(C)OF SCHEDULE D OF THE ASSOCIATION'S BY-LAWS IN THAT RESPONDENT FAILED TO REPORT ITS NASDAQ VOLUME IN ONE SECURITY ON 12/18/86. THE AWC WAS ACCEPTED BY THE MARKET SURVEILLANCE COMMITTEE ON MARCH 6,1987 AND BY THE NATIONAL BUSINESS CONDUCT ON APRIL 7,1987. \$250 FINE RECEIVED 2/17/87.

Disclosure 75 of 75

Reporting Source: Regulator
Current Status: Final
Allegations:
Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated: 09/25/1986
Docket/Case Number: MS-432-AWC
Principal Product Type:
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Consent
Resolution Date: 01/12/1987
Sanctions Ordered: Monetary/Fine \$250.00
Other Sanctions Ordered:
Sanction Details:
Regulator Statement MARKET SURVEILLANCE COMMITTEE COMPLAINT #MS-432-AWC:



LETTER OF ACCEPTANCE, WAIVER AND CONSENT (AWC) WAS FILED ON SEPTEMBER 25, 1986, ALLEGING VIOLATIONS OF PART I, SECTION C.3.(c) OF SCHEDULE D OF THE ASSOCIATION'S BY-LAWS IN THAT RESPONDENT FAILED TO REPORT ITS NASDAQ VOLUME IN ONE SECURITY ON 6/24/86, IN TWO SECURITIES ON 6/30/86, AND IN ONE SECURITY ON 7/16/86. THE AWC WAS ACCEPTED BY THE MARKET SURVEILLANCE COMMITTEE ON DECEMBER 4, 1986 AND BY THE NATIONAL BUSINESS CONDUCT COMMITTEE ON JANUARY 12 1987. FINE \$250

Reporting Source: Firm

Current Status: Final

Allegations: DUE TO THE AGE OF THIS FILING NO MORE ADDITIONAL INFORMATIONS WERE PROVIDED.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 09/25/1986

Docket/Case Number: MS-432-AWC

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 01/12/1987

Sanctions Ordered: Monetary/Fine \$250.00

Other Sanctions Ordered:

Sanction Details: FINED \$250.00

Firm Statement MARKET SURVEILLANCE COMMITTEE COMPLAINT #MS-432-AWC: LETTER OF ACCEPTANCE,WAIVER AND CONSENT(AWC)WAS FILED ON SEPTEMBER 25,1986,ALLEGING VIOLATIONS OF PART 1,SECTION C.3.(C)OF SCHEDULE D OF THE ASSOCIATION'S BY-LAWS IN THAT RESPONDENT FAILED TO REPORT ITS NASDAQ VOLUME IN ONE SECURITY ON 6/24/86,AND IN ONE SECURITY ON 7/16/86. THE AWC WAS ACCEPTED BY THE MARKET SURVEILLANCE COMMITTEE ON DECEMBER 4,1986 AND BY



THE NATIONAL BUSINESS CONDUCT COMMITTEE ON JANUARY 12, 1987.
FINE \$250.00

Regulatory - On Appeal

This type of disclosure event involves (1) a formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations that is currently on appeal; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor that is currently on appeal.

Disclosure 1 of 1

Reporting Source: Regulator

Current Status: On Appeal

Appealed To and Date Appeal Filed: APPEALED TO THE SEC ON JANUARY 9, 2015.

Allegations: FINRA BY-LAWS, ARTICLE V, SECTION 2(C) AND SECTION 3(B), FINRA RULE 2010, NASD BY-LAWS, ARTICLE V, SECTION 2(C) AND SECTION 3(B), NASD RULES 2110, 3010, 3070(C), NYSE RULES 351(A) AND 351(D): DURING THE RELEVANT PERIOD, THE FIRM WAS A MEMBER OF NYSE AND REQUIRED TO FILE FORM RE-3 WITHIN 30 DAYS OF A REPORTABLE EVENT PURSUANT TO NYSE RULE 351(A). THE FIRM FAILED TO FILE FORMS RE-3, LATE FILED FORMS RE-3 AND FILED INACCURATE FORMS RE-3 IN CONNECTION WITH 26 SETTLEMENTS AND ARBITRATION AWARDS. THE FIRM ALSO FAILED TO FILE FORMS U4 AND FORMS U5, LATE FILED FORMS U4 AND FORMS U5, AND FILED FORMS U4 AND FORMS U5 THAT CONTAINED INACCURATE FACTS IN CONNECTION WITH DISCLOSABLE EVENTS. THE FIRM FAILED TO REPORT A CUSTOMER COMPLAINT, UNTIMELY REPORTED CUSTOMER COMPLAINTS, AND MADE INACCURATE STATEMENTS IN CONNECTION WITH A CUSTOMER COMPLAINT. THE FIRM HAD WRITTEN SUPERVISORY PROCEDURES DESIGNED TO ENSURE COMPLIANCE WITH THE REQUIREMENTS OF NASD RULE 3070, NYSE RULE 351(A) AND (D), AND THE NASD BY-LAWS. HOWEVER, THE WRITTEN PROCEDURES WERE NOT SUFFICIENTLY IMPLEMENTED IN ORDER FOR THE FIRM TO COMPLY WITH APPLICABLE REGULATORY REPORTING REQUIREMENTS. THE FIRM FAILED TO REPORT APPROXIMATELY 91 DISCLOSABLE EVENTS. IN ADDITION, THE FIRM FILED FORMS RE-3, FORMS U4, FORMS U5, AND 3070 REPORTS THAT CONTAINED INACCURATE STATEMENTS IN CONNECTION WITH DISCLOSABLE EVENTS DESPITE ITS OBLIGATION TO TIMELY AND ACCURATELY REPORT THE DISCLOSABLE EVENTS, AND DESPITE HAVING BEEN REPEATEDLY ADVISED BY ITS REGULATORS OF THE FIRM'S FAILURE TO COMPLY WITH ITS REPORTING REQUIREMENTS. THE FIRM FAILED TO ENSURE THAT ITS PROCEDURES FOR REPORTING CUSTOMER COMPLAINTS, SETTLEMENTS AND OTHER DISCLOSABLE EVENTS TO THE FIRM'S BUSINESS CONDUCT DEPARTMENT WERE BEING FOLLOWED. THE FIRM ALSO FAILED TO ENSURE THAT THE FIRM'S BUSINESS CONDUCT DEPARTMENT WAS

PROPERLY MONITORING CRD FOR DISCLOSABLE EVENTS FOR CURRENT AND FORMER REGISTERED EMPLOYEES. FINALLY, THE FIRM FAILED TO FOLLOW-UP TO DETERMINE THAT ANY RESPONSIBILITY TO SUPERVISE DELEGATED TO COMPLIANCE OFFICERS, BRANCH MANAGERS AND OTHER PERSONNEL WAS BEING DILIGENTLY EXERCISED. DILATORY FILINGS CONTINUED EVEN AFTER THE SIGNING OF AN AWC IN 2007, THE RECEIPT OF A WELLS NOTICE IN 2008, AND THE RECEIPT OF A CAUTIONARY ACTION LETTER IN 2009 RELATED TO REGULATORY FILINGS. DESPITE SUCH NOTICES, THE FIRM FAILED TO FOLLOW UP AND ENSURE THAT THE PROCEDURES IT HAD IN PLACE TO COMPLY WITH APPLICABLE REPORTING REQUIREMENTS WERE BEING DILIGENTLY FOLLOWED. IN FACT, THE PROCEDURES WERE NOT BEING FOLLOWED, AS EVIDENCED BY THE CONTINUED VIOLATIONS TO DATE.

Initiated By: FINRA
Date Initiated: 10/04/2010
Docket/Case Number: [2007009404401](#)
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought: N/A
Resolution: Decision
Resolution Date: 08/02/2012
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered:
Other Sanctions Ordered:
Sanction Details: EXTENDED HEARING PANEL DECISION RENDERED AUGUST 2, 2012 WHEREIN THE FIRM IS FINED A TOTAL OF \$300,000: \$200,000 FOR REPORTING FAILURES, \$100,000 FOR FAILURE TO SUPERVISE REGISTRATION FILINGS. THE FIRM SHALL PAY \$14,930.95 IN COSTS, JOINTLY AND SEVERALLY. APPEALED TO THE NAC ON AUGUST 3, 2012. NAC DECISION RENDERED DECEMBER 11, 2014 WHEREIN THE NAC



AFFIRMED THE FINDINGS AND MODIFIED THE SANCTIONS. THE NAC IMPOSED ON THE FIRM A \$300,000 FINE. THE NAC ALSO AFFIRMED THE EXTENDED HEARING PANEL'S IMPOSITION OF HEARING COSTS IN THE AMOUNT OF \$14,930.95, JOINTLY AND SEVERALLY, AND ORDER THAT THE FIRM AND ITS PRESIDENT PAY APPEAL COSTS IN THE AMOUNT OF \$1,591.78, JOINTLY AND SEVERALLY. THIS MATTER HAS BEEN APPEALED TO THE SEC AND THE SANCTIONS ARE NOT IN EFFECT PENDING REVIEW.

Reporting Source: Firm

Current Status: On Appeal

Appealed To and Date Appeal Filed: SEC

Allegations: ALLEGED VIOLATION OF FINRA BY-LAWS, ARTICLE V, SECTION 2(C) AND SECTION 3(B), FINRA RULE 2010, FINRA INCORPORATED NYSE RULES 351(A) AND 351(D), NASD BY-LAWS, ARTICLE V, SECTION 2(C) AND SECTION 3(B), NASD RULES 2110, 3010, 3070(C): DURING THE RELEVANT PERIOD, THE FIRM WAS A MEMBER OF NYSE AND REQUIRED TO FILE FORM RE-3 WITHIN 30 DAYS OF A REPORTABLE EVENT PURSUANT TO NYSE RULE 351(A). FINRA ALLEGES THE FIRM FAILED TO FILE FORMS RE-3, LATE FILED FORMS RE-3 AND FILED INACCURATE FORMS RE-3 IN CONNECTION WITH 26 SETTLEMENTS AND ARBITRATION AWARDS. FINRA ALLEGES THE FIRM ALSO FAILED TO FILED FORMS U-4 AND FORMS U-5, LATE FILED FORMS U-4 AND FORMS U-5, AND FILED FORMS U-4 AND FORMS U-5 THAT CONTAINED INACCURATE FACTS IN CONNECTION WITH DISCLOSABLE EVENTS. FINRA ALLEGES THE FIRM FAILED TO REPORT A CUSTOMER COMPLAINT, UNTIMELY REPORTED CUSTOMER COMPLAINTS, AND MADE INACCURATE STATEMENTS IN CONNECTION WITH A CUSTOMER COMPLAINT. THE FIRM HAD WRITTEN SUPERVISORY PROCEDURES DESIGNED TO ENSURE COMPLIANCE WITH THE REQUIREMENTS OF NASD RULE 3070, NYSE RULE 351(A) AND (D), AND THE NASD BY-LAWS. HOWEVER, THE WRITTEN PROCEDURES WERE NOT SUFFICIENTLY IMPLEMENTED IN ORDER FOR THE FIRM TO COMPLY WITH APPLICABLE REGULATORY REPORTING REQUIREMENTS. SPECIFICALLY, THE FIRM ALLEGEDLY FAILED TO REPORT APPROXIMATELY 91 DISCLOSABLE EVENTS. IN ADDITION, THE FIRM ALLEGEDLY FILED FORMS RE-3, FORMS U-4, FORMS U-5, AND 3070 REPORTS THAT CONTAINED INACCURATE STATEMENTS IN CONNECTION WITH DISCLOSABLE EVENTS DESPITE ITS OBLIGATION TO TIMELY AND ACCURATELY REPORT THE DISCLOSABLE EVENTS, AND DESPITE HAVING BEEN REPEATEDLY ADVISED BY ITS REGULATORS OF THE FIRM'S FAILURE TO COMPLY WITH ITS REPORTING REQUIREMENTS. THE FIRM ALLEGEDLY FAILED TO ENSURE THAT ITS PROCEDURES FOR REPORTING CUSTOMER



COMPLAINTS, SETTLEMENTS AND OTHER DISCLOSABLE EVENTS TO THE FIRM'S BUSINESS CONDUCT DEPARTMENT WERE BEING FOLLOWED. THE FIRM ALSO ALLEGEDLY FAILED TO ENSURE THAT THE FIRM'S BUSINESS CONDUCT DEPARTMENT WAS PROPERLY MONITORING CRD FOR DISCLOSABLE EVENTS FOR CURRENT AND FORMER REGISTERED EMPLOYEES. FINALLY, THE FIRM ALLEGEDLY DILFAILED TO FOLLOW-UP TO DETERMINE THAT ANY RESPONSIBILITY TO SUPERVISE DELEGATED TO COMPLIANCE OFFICERS, BRANCH MANAGERS AND OTHER PERSONNEL WAS BEING DILIGENTLY EXERCISED. DILATORY FILINGS ALLEGEDLY CONTINUED EVEN AFTER THE SIGNING OF AN AWC IN 2007, THE RECEIPT OF A WELLS NOTICE IN 2008, AND THE RECEIPT OF A CAUTIONARY ACTION LETTER IN 2009 RELATED TO REGULATORY FILINGS. DESPITE SUCH NOTICES, IT IS ALLEGED THE FIRM FAILED TO FOLLOW UP AND ENSURE THAT THE PROCEDURES IT HAD IN PLACE TO COMPLY WITH APPLICABLE REPORTING REQUIREMENTS WERE BEING DILIGENTLY FOLLOWED. IT IS ALLEGED THE PROCEDURES WERE NOT BEING FOLLOWED, AS EVIDENCED BY THE CONTINUED VIOLATIONS.

Initiated By: FINRA

Date Initiated: 10/04/2010

Docket/Case Number: [2007009404401](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 12/11/2014

Sanctions Ordered: Censure
Monetary/Fine \$300,000.00

Other Sanctions Ordered:

Sanction Details: THE APPEALED DECISION FINED THE FIRM \$300,000

Firm Statement DECISION RENDERED AUGUST 2, 2012 AND APPEAL WAS FILED AUGUST 3, 2012. DECISION ON THE APPEAL RENDERED ON DECEMBER 11, 2014 AND APPEAL WAS FILED JANUARY 8, 2015.

Regulatory - Pending

This type of disclosure event may include a pending formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulatory agency such as the Securities and Exchange Commission, foreign financial regulatory body) for alleged violations of investment-related rules or regulations.

Disclosure 1 of 4

Reporting Source: Regulator

Current Status: Pending

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY SYSTEMS AND PROCEDURES GOVERNING MARKET ACCESS WERE DEFICIENT IN NUMEROUS WAYS. THE COMPLAINT ALLEGES THAT DESPITE NUMEROUS RED FLAGS THAT SHOULD HAVE ALERTED THE FIRM TO THE TYPES OF POTENTIAL MANIPULATION BY ITS MARKET ACCESS CUSTOMERS, ITS WSPS CONTINUED TO LACK REASONABLE OR ANY PROCEDURES AND REVIEWS FOR VARIOUS TYPES OF PRICE MANIPULATION, INCLUDING LAYERING, SPOOFING, PRE-ARRANGED TRADING, AUTO-EXECUTION MANIPULATION, EXCESSIVE ORDER ENTRY AND MARKING-THE-CLOSE, AND CONTAINED FUNDAMENTAL FLAWS WITH RESPECT TO ESTABLISHED REVIEWS. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WSPS REASONABLY DESIGNED TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT WAS ENGAGED AND TO SUPERVISE THE ACTIVITIES OF REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS AND OTHER ASSOCIATED PERSONS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASDAQ RULES, INCLUDING RULE 15C3-5. THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES MARKETS, AS REQUIRED BY SEC RULE 15C3-5. THE FIRM FAILED TO ESTABLISH, DOCUMENT, AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL, REGULATORY, AND OTHER RISKS OF PROVIDING MARKET ACCESS, AS REQUIRED BY RULE 15C3-5(B). THE FIRM FAILED TO ENSURE, AS REQUIRED BY RULE 15C3-5(C), THAT IT HAD IN PLACE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES. THE FIRM FAILED TO ENSURE THAT IT HAD ADEQUATE RISK MANAGEMENT CONTROLS TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME. IT FAILED TO ENSURE THAT ITS REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE



UNDER ITS DIRECT AND EXCLUSIVE CONTROL, AS REQUIRED BY RULE 15C3-5(D). IT FAILED TO REASONABLY ALLOCATE, BY WRITTEN CONTRACT, AFTER A THOROUGH DUE DILIGENCE REVIEW, CONTROL OVER SPECIFIC REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO A BROKER-DEALER CUSTOMER. THE FIRM FAILED TO ADEQUATELY REVIEW THE PERFORMANCE OF BROKER-DEALERS TO WHOM IT HAS ALLOCATED CERTAIN REGULATORY RESPONSIBILITIES. THE FIRM FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE EFFECTIVENESS OF THE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES AS REQUIRED BY RULE 15C3-5(E). THUS, AS DETAILED, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE EXCHANGE ACT OF 1934, AND RULE 15C3-5 THEREUNDER. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM ESTABLISHED A COMPENSATION SYSTEM RIFE WITH POTENTIAL CONFLICTS OF INTEREST. THE FIRM THEREBY KNOWINGLY AND DELIBERATELY CREATED A DISINCENTIVE FOR ITS EMPLOYEES TO CONDUCT RIGOROUS AND EFFECTIVE MONITORING AND CURTAIL POTENTIAL VIOLATIVE ACTIVITY. MOREOVER, DESPITE ITS RECEIPT OF NUMEROUS REGULATORY INQUIRIES AS WELL AS EXCHANGE-GENERATED REPORTS IDENTIFYING HUNDREDS OF WASH TRADES ON A DAILY BASIS, THE FIRM TOOK NO STEPS TO CURTAIL WASH TRADES. THROUGH SUCH KNOWING AND DELIBERATE CONDUCT, IT ENABLED ARTIFICIALLY ELEVATED, DISTORTED AND MISLEADING TRADING VOLUMES OF MULTIPLE SECURITIES ACROSS MULTIPLE EXCHANGES. THE FIRM HANDSOMELY PROFITED FROM ITS ABJECT FAILURE TO REASONABLY MONITOR AND DETECT THOUSANDS OF INSTANCES OF POTENTIAL MANIPULATIVE ACTIVITY BY THE SAME RECIDIVIST CUSTOMERS, DESPITE REPEATED RED FLAGS. THE TREMENDOUS VOLUME GENERATED FROM THESE UNREGISTERED, FOREIGN, ANONYMOUS TRADERS SUBSTANTIALLY CONTRIBUTED TO ITS STATUS AS A LEADING LIQUIDITY AND VOLUME PROVIDER, AS WELL AS EXCHANGE REBATES AND REDUCED FEES.

Initiated By: NASDAQ STOCK MARKET
Date Initiated: 04/10/2015
Docket/Case Number: 2011026311802
Principal Product Type: Other
Other Product Type(s): UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought: N/A

**Disclosure 2 of 4****Reporting Source:** Regulator**Current Status:** Pending

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT CREATED AND PRODUCED TO FINRA FALSIFIED AND MISLEADING DOCUMENTS, IN CONNECTION WITH ITS REVIEW OF THE FIRM'S REPORTING OF MUNICIPAL SECURITIES TRANSACTIONS BETWEEN OCTOBER 1, 2011 AND DECEMBER 31, 2011. THE COMPLAINT ALLEGES THAT THE FIRM FABRICATED MUNICIPAL SECURITIES TRANSACTION REPORT CARDS (MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB) REPORT CARDS) BY WHITING-OUT DATE INFORMATION AND ADDING SUPERVISORY SIGNATURES THAT GAVE THE FALSE IMPRESSION THAT THE FIRM CONDUCTED AND EVIDENCED SUPERVISORY REVIEWS OF MSRB REPORT CARDS DURING THE REVIEW PERIOD, WHEN IN FACT THE FIRM HAD NOT CONDUCTED SUCH SUPERVISORY REVIEWS. AS A RESULT, THE FIRM WILLFULLY VIOLATED MSRB RULE G-17. THE COMPLAINT ALSO ALLEGES THAT THE FIRM REPORTED MUNICIPAL SECURITIES TRANSACTIONS TO THE MSRB IN AN UNTIMELY MANNER, FAILED TO CONDUCT SUPERVISORY REVIEWS OF MSRB REPORT CARDS, AND FAILED TO DESIGNATE A REGISTERED PRINCIPAL WITH RESPONSIBILITY TO CONDUCT SUPERVISORY REVIEWS OF THE FIRM'S REPORTING OF MUNICIPAL SECURITIES TRANSACTIONS. AS A RESULT, THE FIRM WILLFULLY VIOLATED MSRB RULES G-14 AND G-27.

Initiated By: FINRA**Date Initiated:** 12/18/2014**Docket/Case Number:** [2012032080301](#)**Principal Product Type:** Debt - Municipal**Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Reporting Source:** Firm**Current Status:** Pending**Allegations:** THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING



THAT IT CREATED AND PRODUCED TO FINRA FALSIFIED AND MISLEADING DOCUMENTS, IN CONNECTION WITH ITS REVIEW OF THE FIRM'S REPORTING OF MUNICIPAL SECURITIES TRANSACTIONS BETWEEN OCTOBER 1, 2011 AND DECEMBER 31, 2011. THE COMPLAINT ALLEGES THAT THE FIRM FABRICATED MUNICIPAL SECURITIES TRANSACTION REPORT CARDS (MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB) REPORT CARDS) BY WHITING-OUT DATE INFORMATION AND ADDING SUPERVISORY SIGNATURES THAT GAVE THE FALSE IMPRESSION THAT THE FIRM CONDUCTED AND EVIDENCED SUPERVISORY REVIEWS OF MSRB REPORT CARDS DURING THE REVIEW PERIOD, WHEN IN FACT THE FIRM HAD NOT CONDUCTED SUCH SUPERVISORY REVIEWS. AS A RESULT, THE FIRM WILLFULLY VIOLATED MSRB RULE G-17. THE COMPLAINT ALSO ALLEGES THAT THE FIRM REPORTED MUNICIPAL SECURITIES TRANSACTIONS TO THE MSRB IN AN UNTIMELY MANNER, FAILED TO CONDUCT SUPERVISORY REVIEWS OF MSRB REPORT CARDS, AND FAILED TO DESIGNATE A REGISTERED PRINCIPAL WITH RESPONSIBILITY TO CONDUCT SUPERVISORY REVIEWS OF THE FIRM'S REPORTING OF MUNICIPAL SECURITIES TRANSACTIONS. AS A RESULT, THE FIRM WILLFULLY VIOLATED MSRB RULES G-14 AND G-27.

Initiated By: FINRA
Date Initiated: 12/18/2014
Docket/Case Number: [2012032080301](#)
Principal Product Type: Debt - Municipal
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:

Disclosure 3 of 4

Reporting Source: Regulator
Current Status: Pending
Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT FAILED TO HAVE A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE SECURITIES LAWS AND FINRA RULES, AND NASD RULE 3010(B), BY FAILING TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT ENGAGED. THE COMPLAINT ALLEGES THAT DESPITE NUMEROUS RED FLAGS THAT SHOULD HAVE ALERTED

THE FIRM TO THE TYPES OF POTENTIAL MANIPULATION BY ITS MARKET ACCESS CUSTOMERS, THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) CONTINUED TO LACK REASONABLE OR ANY PROCEDURES AND REVIEWS FOR VARIOUS TYPES OF PRICE MANIPULATION, INCLUDING LAYERING, SPOOFING, PRE-ARRANGED TRADING, AUTO-EXECUTION, EXCESSIVE ORDER ENTRY AND MARKING-THE-CLOSE, AND CONTAINED FUNDAMENTAL FLAWS WITH RESPECT TO ESTABLISHED REVIEWS. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WSPS REASONABLY DESIGNED TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT WAS ENGAGED AND TO SUPERVISE THE ACTIVITIES OF REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS AND OTHER ASSOCIATED PERSONS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES, INCLUDING SEC RULE 15C3-5. THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE ADEQUATE ANTI-MONEY LAUNDERING (AML) POLICIES AND PROCEDURES AND FAILED TO REASONABLY MONITOR, DETECT, AND CAUSE THE REPORTING OF POTENTIALLY SUSPICIOUS ACTIVITY BY ITS MARKET ACCESS CUSTOMERS. THE FIRM FAILED TO DEVELOP AND IMPLEMENT AML POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS PROMULGATED THEREUNDER. ALTHOUGH THE FIRM HAD AML POLICIES AND PROCEDURES IN PLACE, THEY WERE NOT TAILORED TO ITS MARKET ACCESS BUSINESS AND THEREFORE COULD NOT REASONABLY BE EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS. THE FIRM MISSED OR OTHERWISE FAILED TO INVESTIGATE NUMEROUS RED FLAGS OF SUSPICIOUS ACTIVITY RELATED TO ITS MARKET ACCESS BUSINESS AND CLIENTS. THIS FAILURE WAS AT LEAST PARTLY THE RESULT OF THE FIRM'S FAILURE TO ADOPT CLEAR LINES OF RESPONSIBILITY FOR AML COMPLIANCE REGARDING THE MARKET ACCESS BUSINESS. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO SYSTEMATICALLY MANAGE THE REGULATORY AND OTHER RISKS OF PROVIDING MARKET ACCESS. THE FIRM FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES MARKETS. THE FIRM ALSO FAILED TO ENSURE THAT IT HAD ADEQUATE RISK MANAGEMENT CONTROLS TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME. THE FIRM FAILED TO REASONABLY ALLOCATE, BY



WRITTEN CONTRACT, AFTER A THOROUGH DUE DILIGENCE REVIEW, CONTROL OVER SPECIFIC REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO A BROKER-DEALER CUSTOMER. THE FIRM FAILED TO ADEQUATELY REVIEW THE PERFORMANCE OF BROKER-DEALERS TO WHOM IT HAS ALLOCATED CERTAIN REGULATORY RESPONSIBILITIES. THE FIRM KNOWINGLY AND DELIBERATELY CREATED A DISINCENTIVE FOR ITS EMPLOYEES TO CONDUCT RIGOROUS AND EFFECTIVE MONITORING AND CURTAIL POTENTIAL VIOLATIVE ACTIVITY AND PROFITED HANDSOMELY FROM ITS ABJECT FAILURE TO REASONABLY MONITOR AND DETECT THOUSANDS OF INSTANCES OF POTENTIAL MANIPULATIVE ACTIVITY BY THE SAME RECIDIVIST CUSTOMERS, DESPITE REPEATED RED FLAGS.

Initiated By: FINRA
Date Initiated: 08/18/2014
Docket/Case Number: [2009020634401](#)
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:

Reporting Source: Firm
Current Status: Pending

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT FAILED TO HAVE A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE SECURITIES LAWS AND FINRA RULES, AND NASD RULE 3010(B), BY FAILING TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT ENGAGED. THE COMPLAINT ALLEGES THAT DESPITE NUMEROUS RED FLAGS THAT SHOULD HAVE ALERTED THE FIRM TO THE TYPES OF POTENTIAL MANIPULATION BY ITS MARKET ACCESS CUSTOMERS, THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) CONTINUED TO LACK REASONABLE OR ANY PROCEDURES AND REVIEWS FOR VARIOUS TYPES OF PRICE MANIPULATION, INCLUDING LAYERING, SPOOFING, PRE-ARRANGED TRADING, AUTO-EXECUTION, EXCESSIVE ORDER ENTRY AND MARKING-THE-CLOSE, AND CONTAINED FUNDAMENTAL FLAWS WITH RESPECT TO ESTABLISHED REVIEWS. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WSPS



REASONABLY DESIGNED TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT WAS ENGAGED AND TO SUPERVISE THE ACTIVITIES OF REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS AND OTHER ASSOCIATED PERSONS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES, INCLUDING SEC RULE 15C3-5. THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE ADEQUATE ANTI-MONEY LAUNDERING (AML) POLICIES AND PROCEDURES AND FAILED TO REASONABLY MONITOR, DETECT, AND CAUSE THE REPORTING OF POTENTIALLY SUSPICIOUS ACTIVITY BY ITS MARKET ACCESS CUSTOMERS. THE FIRM FAILED TO DEVELOP AND IMPLEMENT AML POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS PROMULGATED THEREUNDER. ALTHOUGH THE FIRM HAD AML POLICIES AND PROCEDURES IN PLACE, THEY WERE NOT TAILORED TO ITS MARKET ACCESS BUSINESS AND THEREFORE COULD NOT REASONABLY BE EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS. THE FIRM MISSED OR OTHERWISE FAILED TO INVESTIGATE NUMEROUS RED FLAGS OF SUSPICIOUS ACTIVITY RELATED TO ITS MARKET ACCESS BUSINESS AND CLIENTS. THIS FAILURE WAS AT LEAST PARTLY THE RESULT OF THE FIRM'S FAILURE TO ADOPT CLEAR LINES OF RESPONSIBILITY FOR AML COMPLIANCE REGARDING THE MARKET ACCESS BUSINESS. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO SYSTEMATICALLY MANAGE THE REGULATORY AND OTHER RISKS OF PROVIDING MARKET ACCESS. THE FIRM FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES MARKETS. THE FIRM ALSO FAILED TO ENSURE THAT IT HAD ADEQUATE RISK MANAGEMENT CONTROLS TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME. THE FIRM FAILED TO REASONABLY ALLOCATE, BY WRITTEN CONTRACT, AFTER A THOROUGH DUE DILIGENCE REVIEW, CONTROL OVER SPECIFIC REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO A BROKER-DEALER CUSTOMER. THE FIRM FAILED TO ADEQUATELY REVIEW THE PERFORMANCE OF BROKER-DEALERS TO WHOM IT HAS ALLOCATED CERTAIN REGULATORY RESPONSIBILITIES. THE FIRM KNOWINGLY AND DELIBERATELY CREATED A DISINCENTIVE FOR ITS EMPLOYEES TO CONDUCT RIGOROUS AND EFFECTIVE MONITORING AND CURTAIL POTENTIAL VIOLATIVE ACTIVITY



AND PROFITED HANDSOMELY FROM ITS ABJECT FAILURE TO REASONABLY MONITOR AND DETECT THOUSANDS OF INSTANCES OF POTENTIAL MANIPULATIVE ACTIVITY BY THE SAME RECIDIVIST CUSTOMERS, DESPITE REPEATED RED FLAGS.

Initiated By: FINRA
Date Initiated: 08/21/2014
Docket/Case Number: [2009020634401](#)
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:

Disclosure 4 of 4

Reporting Source: Regulator
Current Status: Pending

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT FAILED TO PROVIDE TRADE DATA REQUESTED BY THE SEC AND FINRA, COMMONLY KNOWN AS "BLUE SHEETS," FOR MORE THAN 160,000 TRADES THAT IT EXECUTED FOR CORRESPONDENT FIRMS, AND FAILED TO PROPERLY SUBMIT BLUE SHEETS REQUESTED BY THE SEC AND FINRA FOR MORE THAN 5.6 MILLION TRADES. THE FIRM KNEW OR SHOULD HAVE KNOWN THAT ITS BLUE SHEET SUBMISSIONS TO THE SEC WERE INACCURATE AND INCOMPLETE. THE COMPLAINT ALLEGES THAT THESE FAILURES WERE DUE IN PART TO THE FIRM'S LACK OF AN ADEQUATE AUDIT SYSTEM PROVIDING FOR ACCOUNTABILITY OF ITS BLUE SHEET SUBMISSIONS AND ITS LACK OF A SUPERVISORY SYSTEM AND PROCEDURES FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS AND WITH APPLICABLE FINRA AND NASD RULES FOR ELECTRONIC BLUE SHEET REPORTING REQUIREMENTS. THE FIRM KNEW OR SHOULD HAVE KNOWN THAT ITS AUDIT SYSTEM DID NOT PROVIDE FOR ACCOUNTABILITY OF ITS BLUE SHEET SUBMISSIONS. AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 17(A) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULES 17A-4(F)(3)(V), 17A-4(J) AND 17A-25 THEREUNDER, AND FINRA RULE 2010.

Initiated By: FINRA



Date Initiated: 06/04/2014
Docket/Case Number: [2012034934301](#)
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought: N/A

Reporting Source: Firm
Current Status: Pending

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT FAILED TO PROVIDE TRADE DATA REQUESTED BY THE SEC AND FINRA, COMMONLY KNOWN AS "BLUE SHEETS," FOR MORE THAN 160,000 TRADES THAT IT EXECUTED FOR CORRESPONDENT FIRMS, AND FAILED TO PROPERLY SUBMIT BLUE SHEETS REQUESTED BY THE SEC AND FINRA FOR MORE THAN 5.6 MILLION TRADES. THE FIRM KNEW OR SHOULD HAVE KNOWN THAT ITS BLUE SHEET SUBMISSIONS TO THE SEC WERE INACCURATE AND INCOMPLETE. THE COMPLAINT ALLEGES THAT THESE FAILURES WERE DUE IN PART TO THE FIRM'S LACK OF AN ADEQUATE AUDIT SYSTEM PROVIDING FOR ACCOUNTABILITY OF ITS BLUE SHEET SUBMISSIONS AND ITS LACK OF A SUPERVISORY SYSTEM AND PROCEDURES FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS AND WITH APPLICABLE FINRA AND NASD RULES FOR ELECTRONIC BLUE SHEET REPORTING REQUIREMENTS. THE FIRM KNEW OR SHOULD HAVE KNOWN THAT ITS AUDIT SYSTEM DID NOT PROVIDE FOR ACCOUNTABILITY OF ITS BLUE SHEET SUBMISSIONS. AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 17(A) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULES 17A-4(F)(3)(V), 17A-4(J) AND 17A-25 THEREUNDER, AND FINRA RULE 2010.

Initiated By: FINRA
Date Initiated: 06/04/2014
Docket/Case Number: [2012034934301](#)
Principal Product Type: No Product
Other Product Type(s):



**Principal Sanction(s)/Relief
Sought:**

**Other Sanction(s)/Relief
Sought:**

Civil - Final

This type of disclosure event involves (1) an injunction issued by a foreign or domestic court within the last 10 years in connection with investment-related activity, (2) a finding by a court of a violation of any investment-related statute or regulation, or (3) an action dismissed by a court pursuant to a settlement agreement.

Disclosure 1 of 1

Reporting Source:	Firm
Current Status:	Final
Allegations:	EMPLOYEE OF WMS INDUCED A CUSTOMER TO INVEST IN A PRIVATE COMPANY CREATED BY THE EMPLOYEE. WMS COULD NOT HAVE KNOWN ABOUT THIS ACTIVITY SINCE IT WAS NOT DONE THROUGH FACILITIES OF WMS.
Initiated By:	GLOBAL DEVELOPMENT
Court Details:	UNITED STATES DISTRICT COURT WESTERN DISTRICT OF WASHINGTON AT SEATTLE NO. C80-1153V
Date Court Action Filed:	09/11/1982
Principal Product Type:	Other
Other Product Types:	IN THIS CIRCUMSTANCE, PRODUCT WAS A FICTITIOUS INVESTMENT.
Relief Sought:	Civil Penalty(ies)/Fine(s)
Other Relief Sought:	
Resolution:	Judgment Rendered
Resolution Date:	02/15/1983
Sanctions Ordered or Relief Granted:	Monetary/Fine \$69,159.00
Other Sanctions:	
Sanction Details:	DISPOSITION RESULTED IN A JUDGMENT IN THE AMOUNT OF \$69,159.00, WHICH A PORTION OF WAS PAID BY WMS'S FIDELITY BONDING COMPANY.
Firm Statement	EMPLOYEE OF WMS INDUCED A CUSTOMER TO INVEST IN A PRIVATE COMPANY CREATED BY THE EMPLOYEE. WMS COULD NOT HAVE KNOWN ABOUT THIS ACTIVITY SINCE IT WAS NOT DONE THROUGH FACILITIES OF WMS. DISPOSITION RESULTED IN A JUDGMENT IN THE AMOUNT OF \$69,159.00 OF WHICH A PORTION WAS PAID BY WMS'S FIDELITY BONDING COMPANY ON 2/16/1983.



Arbitration Award - Award/Judgment

Brokerage firms are not required to report arbitration claims filed against them by customers; however, BrokerCheck provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and registered securities firms in this section of the report.

The full text of arbitration awards issued by FINRA is available at www.finra.org/awardsonline.

Disclosure 1 of 57

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: NASD

Case Initiated: 01/05/2001

Case Number: [00-05559](#)

Disputed Product Type: COMMON STOCK

Sum of All Relief Requested: \$352,819.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 03/19/2003

Sum of All Relief Awarded: \$79,091.87

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 2 of 57

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-COLLECTION

Arbitration Forum: NASD

Case Initiated: 03/15/2001

Case Number: [01-00908](#)

Disputed Product Type: COMMON STOCK

Sum of All Relief Requested: \$242,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 07/30/2003
Sum of All Relief Awarded: \$0.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 3 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; TRADING DISPUTES-BUY IN
Arbitration Forum: NASD
Case Initiated: 10/09/2001
Case Number: [01-04479](#)
Disputed Product Type: MUTUAL FUNDS
Sum of All Relief Requested: \$25,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 09/05/2002
Sum of All Relief Awarded: \$4,979.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 4 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE
Arbitration Forum: NASD
Case Initiated: 11/14/2001



Case Number: [01-05629](#)
Disputed Product Type: UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested: \$733,157.20
Disposition: AWARD AGAINST PARTY
Disposition Date: 07/03/2003
Sum of All Relief Awarded: \$173,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 5 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE
Arbitration Forum: NASD
Case Initiated: 01/03/2002
Case Number: [01-07091](#)
Disputed Product Type: COMMON STOCK; OPTIONS
Sum of All Relief Requested: \$500,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 09/26/2003
Sum of All Relief Awarded: \$317,150.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 6 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: NASD
Case Initiated: 06/04/2003
Case Number: [03-01719](#)
Disputed Product Type: CORPORATE BONDS
Sum of All Relief Requested: \$75,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 05/25/2004
Sum of All Relief Awarded: \$48,428.00

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 7 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-MARGIN CALLS; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum: NASD
Case Initiated: 07/14/2003
Case Number: [03-04976](#)
Disputed Product Type: COMMON STOCK; MUTUAL FUNDS
Sum of All Relief Requested: \$73,546.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 10/01/2004
Sum of All Relief Awarded: \$63,000.00

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 8 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION



Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-TRANSFER

Arbitration Forum: NASD

Case Initiated: 10/14/2003

Case Number: [03-07330](#)

Disputed Product Type: COMMON STOCK

Sum of All Relief Requested: \$1,263,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 12/06/2004

Sum of All Relief Awarded: \$363,500.01

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 9 of 57

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OTHER; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: NASD

Case Initiated: 10/15/2003

Case Number: [03-07340](#)

Disputed Product Type: UNKNOWN TYPE OF SECURITIES

Sum of All Relief Requested: \$1,270,150.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 04/22/2005

Sum of All Relief Awarded: \$49,040.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 10 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE
Arbitration Forum: NASD
Case Initiated: 07/26/2004
Case Number: [04-05032](#)
Disputed Product Type: ANNUITIES; UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested: \$1,350,245.83
Disposition: AWARD AGAINST PARTY
Disposition Date: 11/27/2006
Sum of All Relief Awarded: \$1,218,219.20

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 11 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum: NASD
Case Initiated: 09/07/2004
Case Number: [04-06067](#)
Disputed Product Type: UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested: Unspecified Damages
Disposition: AWARD AGAINST PARTY
Disposition Date: 03/03/2006
Sum of All Relief Awarded: \$101,817.14

There may be a non-monetary award associated with this arbitration.



Please select the Case Number above to view more detailed information.

Disclosure 12 of 57

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: NASD

Case Initiated: 09/13/2004

Case Number: [04-06226](#)

Disputed Product Type: UNKNOWN TYPE OF SECURITIES

Sum of All Relief Requested: \$100,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 05/10/2006

Sum of All Relief Awarded: \$249,071.01

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 13 of 57

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-FAILURE TO SUPERVISE

Arbitration Forum: NASD

Case Initiated: 03/29/2005

Case Number: [05-01410](#)

Disputed Product Type: UNKNOWN TYPE OF SECURITIES

Sum of All Relief Requested: \$1,000,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 05/26/2006

Sum of All Relief Awarded: \$3,801,933.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 14 of 57

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: NASD

Case Initiated: 12/28/2006

Case Number: [06-05367](#)

Disputed Product Type: COMMON STOCK

Sum of All Relief Requested: \$22,858.65

Disposition: AWARD AGAINST PARTY

Disposition Date: 05/31/2007

Sum of All Relief Awarded: \$25,805.12

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 15 of 57

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: FINRA

Case Initiated: 08/21/2008

Case Number: [08-02897](#)

Disputed Product Type: COMMON STOCK; GOVERNMENT SECURITIES

Sum of All Relief Requested: \$190,135.00



Disposition: AWARD AGAINST PARTY
Disposition Date: 07/17/2009
Sum of All Relief Awarded: \$100,000.00

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 16 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-SUITABILITY;
 EXECUTIONS-EXECUTION PRICE
Arbitration Forum: FINRA
Case Initiated: 02/05/2009
Case Number: [09-00564](#)
Disputed Product Type: COMMON STOCK
Sum of All Relief Requested: \$20,306.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 08/14/2009
Sum of All Relief Awarded: \$20,688.50

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 17 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT
 ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-MISREPRESENTATION;
 ACCOUNT ACTIVITY-OMISSION OF FACTS
Arbitration Forum: FINRA
Case Initiated: 04/07/2009
Case Number: [09-01152](#)

Disputed Product Type: PRIVATE EQUITIES
Sum of All Relief Requested: \$98,535.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 12/03/2009
Sum of All Relief Awarded: \$9,834.00

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 18 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-NEGLIGENCE; EXECUTIONS-FAILURE TO EXECUTE; EXECUTIONS-INCORRECT QUANTITY
Arbitration Forum: FINRA
Case Initiated: 04/27/2009
Case Number: [09-01865](#)
Disputed Product Type: COMMON STOCK; FUTURES (OTHER THAN COMMODITIES); HEDGE FUND; OPTIONS
Sum of All Relief Requested: \$282,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 09/02/2010
Sum of All Relief Awarded: \$108,000.01

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 19 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE



Arbitration Forum: FINRA
Case Initiated: 09/23/2009
Case Number: [09-02143](#)
Disputed Product Type: COMMON STOCK; MUTUAL FUNDS; OTHER TYPES OF SECURITIES
Sum of All Relief Requested: Unspecified Damages
Disposition: AWARD AGAINST PARTY
Disposition Date: 03/25/2011
Sum of All Relief Awarded: \$228,671.66

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 20 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum: FINRA
Case Initiated: 05/11/2009
Case Number: [09-02259](#)
Disputed Product Type: AUCTION RATE SECURITIES
Sum of All Relief Requested: Unspecified Damages
Disposition: AWARD AGAINST PARTY
Disposition Date: 11/11/2010
Sum of All Relief Awarded: \$241,758.26

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 21 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION



Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: FINRA

Case Initiated: 07/08/2009

Case Number: [09-03657](#)

Disputed Product Type: OPTIONS

Sum of All Relief Requested: \$456,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 05/12/2010

Sum of All Relief Awarded: \$107,100.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 22 of 57

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: FINRA

Case Initiated: 08/14/2009

Case Number: [09-04522](#)

Disputed Product Type: ANNUITIES; VARIABLE ANNUITIES

Sum of All Relief Requested: \$1,000,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 08/26/2011



Sum of All Relief Awarded: \$1,165,885.01

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 23 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-MARGIN CALLS; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER
Arbitration Forum: FINRA
Case Initiated: 10/27/2009
Case Number: [09-05898](#)
Disputed Product Type: OTHER TYPES OF SECURITIES
Sum of All Relief Requested: \$600,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 06/28/2011
Sum of All Relief Awarded: \$89,100.01

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 24 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum: FINRA
Case Initiated: 12/16/2009



Case Number: [09-06884](#)
Disputed Product Type: COMMON STOCK
Sum of All Relief Requested: \$6,000,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 05/05/2011
Sum of All Relief Awarded: \$750,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 25 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum: FINRA
Case Initiated: 02/17/2010
Case Number: [10-00603](#)
Disputed Product Type: HEDGE FUND; LIMITED PARTNERSHIPS; PRIVATE EQUITIES; REAL ESTATE INVESTMENT TRUST
Sum of All Relief Requested: \$2,000,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 11/29/2011
Sum of All Relief Awarded: \$285,613.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 26 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT

Arbitration Forum: RELATED-NEGLIGENCE
 FINRA
Case Initiated: 06/25/2010
Case Number: [10-02023](#)
Disputed Product Type: ANNUITIES; COMMON STOCK; MUTUAL FUNDS
Sum of All Relief Requested: \$75,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 03/21/2011
Sum of All Relief Awarded: \$60,024.00

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 27 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT
 RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO
 SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum: FINRA
Case Initiated: 01/06/2011
Case Number: [10-05751](#)
Disputed Product Type: OTHER TYPES OF SECURITIES
Sum of All Relief Requested: \$150,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 04/12/2012
Sum of All Relief Awarded: \$207,500.01

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 28 of 57

Reporting Source: Regulator



Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS
Arbitration Forum: FINRA
Case Initiated: 02/18/2011
Case Number: [11-00626](#)
Disputed Product Type: COMMON STOCK
Sum of All Relief Requested: \$100,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 08/30/2012
Sum of All Relief Awarded: \$329,239.01

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 29 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-OTHER; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-TRANSFER; EMPLOYMENT-OTHER
Arbitration Forum: FINRA
Case Initiated: 09/30/2011
Case Number: [11-03452](#)
Disputed Product Type: COMMON STOCK; MUNICIPAL BONDS; MUTUAL FUNDS; OTHER TYPES OF SECURITIES; PRIVATE EQUITIES
Sum of All Relief Requested: Unspecified Damages
Disposition: AWARD AGAINST PARTY
Disposition Date: 08/16/2013
Sum of All Relief Awarded: \$435,382.55

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 30 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE
Arbitration Forum: FINRA
Case Initiated: 11/19/2013
Case Number: [13-03313](#)
Disputed Product Type:
Sum of All Relief Requested: \$332,000.01
Disposition: AWARD AGAINST PARTY
Disposition Date: 01/23/2015
Sum of All Relief Awarded: \$351,400.00

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 31 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-MARGIN CALLS
Arbitration Forum: NASD
Case Initiated:
Case Number: [87-02294](#)
Disputed Product Type: UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested: \$212,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 05/17/1990
Sum of All Relief Awarded: \$12,000.00

There may be a non-monetary award associated with this arbitration.

Please select the Case Number above to view more detailed information.

Disclosure 32 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-BREACH OF CONTRACT
Arbitration Forum: NASD
Case Initiated: 01/01/1988
Case Number: [88-02064](#)
Disputed Product Type: UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested: \$3,877,242.90
Disposition: AWARD AGAINST PARTY
Disposition Date: 09/25/1989
Sum of All Relief Awarded: \$600,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 33 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum: NASD
Case Initiated: 01/01/1988
Case Number: [88-02145](#)
Disputed Product Type: UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested: \$18,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 12/11/1989



Sum of All Relief Awarded: \$15,666.54

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 34 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations:
Arbitration Forum: NASD
Case Initiated: 02/27/1989
Case Number: [89-00201](#)
Disputed Product Type: COMMON STOCK
Sum of All Relief Requested: \$62,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 09/14/1990
Sum of All Relief Awarded: \$1,750.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 35 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT RELATED-COLLECTION; ACCOUNT RELATED-DIVIDENDS;
ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum: NASD
Case Initiated:
Case Number: [89-01205](#)
Disputed Product Type: COMMON STOCK
Sum of All Relief Requested: \$3,240.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 02/15/1990

Sum of All Relief Awarded: \$3,240.00

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 36 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: EXECUTIONS-FAILURE TO EXECUTE
Arbitration Forum: NASD
Case Initiated: 01/01/1989
Case Number: [89-01678](#)
Disputed Product Type: COMMON STOCK
Sum of All Relief Requested: \$3,156.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 06/08/1990
Sum of All Relief Awarded: \$1,332.00

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 37 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations:
Arbitration Forum: NASD
Case Initiated: 08/22/1989
Case Number: [89-01749](#)
Disputed Product Type:
Sum of All Relief Requested: \$27,073.22
Disposition: AWARD AGAINST PARTY
Disposition Date: 12/17/1991



Sum of All Relief Awarded: \$25,784.17

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 38 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-MISREPRESENTATION
Arbitration Forum: NASD
Case Initiated: 04/18/1990
Case Number: [90-01039](#)
Disputed Product Type: LIMITED PARTNERSHIPS
Sum of All Relief Requested: \$201,625.12
Disposition: AWARD AGAINST PARTY
Disposition Date: 03/16/1992
Sum of All Relief Awarded: \$22,500.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 39 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OTHER;
ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-OTHER
Arbitration Forum: NASD
Case Initiated: 10/15/1990
Case Number: [90-02241](#)
Disputed Product Type: LIMITED PARTNERSHIPS
Sum of All Relief Requested: \$92,385.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 03/16/1992

Sum of All Relief Awarded: \$75,305.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 40 of 57

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; OTHER-OTHER

Arbitration Forum: NASD

Case Initiated: 10/15/1990

Case Number: [90-02242](#)

Disputed Product Type: LIMITED PARTNERSHIPS

Sum of All Relief Requested: \$36,366.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 03/23/1992

Sum of All Relief Awarded: \$15,821.16

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 41 of 57

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: NASD

Case Initiated: 12/07/1990

Case Number: [90-02328](#)

Disputed Product Type: COMMON STOCK; MUTUAL FUNDS; OPTIONS

Sum of All Relief Requested: Unspecified Damages

Disposition: AWARD AGAINST PARTY



Disposition Date: 03/31/1992

Sum of All Relief Awarded: \$10,500.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 42 of 57

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-OTHER; UNKNOWN TYPE OF CONTROVERSIES

Arbitration Forum: NASD

Case Initiated: 10/15/1990

Case Number: [90-02426](#)

Disputed Product Type: COMMON STOCK; PREFERRED STOCK; UNKNOWN TYPE OF SECURITIES

Sum of All Relief Requested: \$10,917.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 03/22/1991

Sum of All Relief Awarded: \$11,917.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 43 of 57

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT RELATED-OTHER

Arbitration Forum: NASD

Case Initiated: 04/17/1991

Case Number: [91-00370](#)

Disputed Product Type: COMMON STOCK

Sum of All Relief Requested: \$1,788.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 11/13/1991

Sum of All Relief Awarded: \$766.50

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 44 of 57

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING

Arbitration Forum: NASD

Case Initiated: 03/26/1991

Case Number: [91-00439](#)

Disputed Product Type: OPTIONS; WARRANTS/RIGHTS

Sum of All Relief Requested: \$148,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 04/06/1992

Sum of All Relief Awarded: \$28,000.00

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 45 of 57

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: NASD

Case Initiated: 03/21/1991

Case Number: [91-00749](#)

Disputed Product Type: CORPORATE BONDS

Sum of All Relief Requested: \$46,978.00



Disposition: AWARD AGAINST PARTY
Disposition Date: 10/14/1991
Sum of All Relief Awarded: \$15,000.00

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 46 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY
Arbitration Forum: NASD
Case Initiated: 08/21/1991
Case Number: [91-02442](#)
Disputed Product Type: MUTUAL FUNDS
Sum of All Relief Requested: \$21,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 07/22/1992
Sum of All Relief Awarded: \$9,970.00

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 47 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-FAILURE TO SUPERVISE
Arbitration Forum: NASD
Case Initiated: 12/10/1991
Case Number: [91-03752](#)
Disputed Product Type: COMMON STOCK; CORPORATE BONDS; MUNICIPAL BONDS; UNKNOWN



TYPE OF SECURITIES
Sum of All Relief Requested: \$22,300.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 09/18/1992
Sum of All Relief Awarded: \$36,192.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 48 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-UNAUTHORIZED TRADING
Arbitration Forum: NASD
Case Initiated: 03/25/1992
Case Number: [92-00632](#)
Disputed Product Type: UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested: \$18,198.07
Disposition: AWARD AGAINST PARTY
Disposition Date: 04/21/1993
Sum of All Relief Awarded: \$4,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 49 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY
Arbitration Forum: NASD
Case Initiated: 04/15/1992
Case Number: [92-01100](#)

Disputed Product Type: COMMON STOCK
Sum of All Relief Requested: \$1,010.50
Disposition: AWARD AGAINST PARTY
Disposition Date: 08/20/1992
Sum of All Relief Awarded: \$1,010.50

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 50 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-SUITABILITY
Arbitration Forum: NASD
Case Initiated: 09/30/1992
Case Number: [92-03256](#)
Disputed Product Type: COMMON STOCK; CORPORATE BONDS; GOVERNMENT SECURITIES; MUNICIPAL BONDS
Sum of All Relief Requested: \$40,673.38
Disposition: AWARD AGAINST PARTY
Disposition Date: 06/29/1993
Sum of All Relief Awarded: \$45,592.72

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 51 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-FAILURE TO SUPERVISE
Arbitration Forum: NASD

Case Initiated: 03/03/1993
Case Number: [93-00583](#)
Disputed Product Type: GOVERNMENT SECURITIES; LIMITED PARTNERSHIPS; OTHER TYPES OF SECURITIES
Sum of All Relief Requested: \$36,626.81
Disposition: AWARD AGAINST PARTY
Disposition Date: 01/21/1994
Sum of All Relief Awarded: \$110,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 52 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS
Arbitration Forum: NASD
Case Initiated: 08/23/1993
Case Number: [93-02888](#)
Disputed Product Type: MUNICIPAL BOND FUNDS
Sum of All Relief Requested: \$9,199.25
Disposition: AWARD AGAINST PARTY
Disposition Date: 09/30/1994
Sum of All Relief Awarded: \$1,653.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 53 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY



Arbitration Forum: NASD
Case Initiated: 08/04/1994
Case Number: [94-02327](#)
Disputed Product Type: COMMON STOCK
Sum of All Relief Requested: \$5,875.13
Disposition: AWARD AGAINST PARTY
Disposition Date: 04/11/1995
Sum of All Relief Awarded: \$5,537.01

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 54 of 57

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: NASD
Case Initiated: 07/20/1995
Case Number: [95-02862](#)
Disputed Product Type: LIMITED PARTNERSHIPS
Sum of All Relief Requested: \$75,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 02/18/1997
Sum of All Relief Awarded: \$40,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

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Reporting Source: Regulator
Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE

Arbitration Forum: NASD

Case Initiated: 01/08/1998

Case Number: [97-05990](#)

Disputed Product Type: COMMON STOCK; MUTUAL FUNDS

Sum of All Relief Requested: \$90,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 10/09/1998

Sum of All Relief Awarded: \$140,260.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 56 of 57

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OTHER

Arbitration Forum: NASD

Case Initiated: 07/20/1999

Case Number: [99-02349](#)

Disputed Product Type: UNKNOWN TYPE OF SECURITIES

Sum of All Relief Requested: \$399,125.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 10/10/2000

Sum of All Relief Awarded: \$269,125.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 57 of 57

Reporting Source: Regulator



Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING

Arbitration Forum: NASD

Case Initiated: 11/17/1999

Case Number: [99-04500](#)

Disputed Product Type: UNKNOWN TYPE OF SECURITIES

Sum of All Relief Requested: \$117,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 09/19/2001

Sum of All Relief Awarded: \$17,750.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.



Civil Bond

This type of disclosure event involves a civil bond for the brokerage firm that has been denied, paid, or revoked by a bonding company.

Disclosure 1 of 1

Reporting Source:	Firm
Policy Holder:	WEDBUSH MORGAN SECURITIES INC,
Bonding Company Name:	FIDELITY BONDING COMPANY
Disposition:	Payout
Disposition Date:	02/16/1983
Payout Details:	\$69,159.00 PAID BY THE BONDING COMPANY.
Firm Statement	EMPLOYEE OF WMS INDUCED A CUSTOMER TO INVEST IN A PRIVATE COMPANY CREATED BY THE EMPLOYEE. WMS COULDN'T HAVE KNOWN ABOUT THIS ACTIIVTY SINCE IT WAS NOT DONE THROUGH FACILITIES OF WMS.

End of Report

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